

**CITY OF BOCA RATON
LONG-RANGE
FINANCIAL PLAN**



Updated: April 22, 2009

**PREPARED BY
FINANCIAL SERVICES DEPARTMENT**

**CITY OF BOCA RATON, FLORIDA
LONG-RANGE FINANCIAL PLAN**

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CITY OF BOCA RATON, FLORIDA LONG-RANGE FINANCIAL PLAN

PREFACE

The City of Boca Raton is a full service City and provides a full range of municipal services. The Public Safety Program includes police and fire protection. Beaches, a pool, golf courses, a library, tennis courts, neighborhood parks, and a community center provide a well-rounded, active Recreation Program. The Municipal Services Department provides essential street and highway maintenance, construction, sanitation, and other technical assistance to the City. The Utility Services Department provides water and sewer services. The City's Development Services Department administers the City's Community Development Block Grants and the Section 8 Housing Assistance Grants. Additional services provided include building inspection, planning, zoning, engineering, surveying, cemetery, as well as general administrative services.

The City utilizes the Council-Manager form of government. The City Council, which consists of four Council members and a Mayor, are elected at large on a non-partisan basis for staggered three-year terms. City Council appoints the City Manager who is the Chief Administrative Officer of the City and directs the business of the City and its various departments.

Boca Raton has been able to provide its residents with a high quality of life while providing one of the lowest property tax rates in the county. Boca Raton has embarked on revitalizing its downtown and continues to strive to maintain and increase its industrial base. Boca Raton is home to two universities, Florida Atlantic University (FAU) and Lynn University. The City is the second largest city in the West Palm Beach - Boca Raton SMSA (Standard Metropolitan Statistical Area), the City of West Palm Beach being the largest city. The City of Boca Raton's population is estimated to be 85,296. Per the 2000 United States Census, the City is nearly 91 percent white. Hispanics comprise 8.5 percent of the population, while blacks make up 3.8 percent. The under-age-population is 14,135, up about a third since 1990.

MISSION STATEMENT

The mission of the City of Boca Raton is to provide the highest quality of service to the community through responsible use of public resources to enhance our unique quality of life.

BOCA RATON VISION 2020

The City of Boca Raton will be known as a premier community with beauty by design, a vibrant downtown and great beach and waterways. People are safe, have a variety of cultural and recreational choices for their leisure time, and have mobility within our City. The City is a world-class local government, which is financially sound and provides exceptional City services responsive to our citizens. There is a balanced economy with diverse job opportunities and quality educational opportunities.

Policy Agenda 2008-09

TOP PRIORITY

Operate With a Balanced Budget
Maintain Essential Services (Police, Fire, Utilities & Municipal)
Retirement/Pension Cost Containment
Downtown Vision and Plan
FAU Strategy/Hospital Project/I95 Interchange Project

HIGH PRIORITY

Develop Partnerships to Promote Economic Development
& Advance the City's Goals
North Federal Highway Development Project and Beautification
Multimodal Transportation District and Mobility

This Long Range Financial Plan (The Plan) focuses primarily on the City's General Fund, which currently is supported in large part by property taxes, public service (utility) taxes, utility franchise fees, and various user fees. The General Fund supports all operations including public safety, recreation, municipal services, development services, and administration.

This year's update includes, in addition to the General Fund, the following operating funds:

- Water and Sewer Fund
- Sanitation Fund
- Transportation Fund
- Right-of-Way Beautification Fund
- Golf Course Fund
- Cemetery/Mausoleum Operating Fund and Perpetual Care Funds
- Stormwater Fund

EXECUTIVE SUMMARY

LONG-RANGE FINANCIAL PLAN RESULTS AND CONCLUSIONS

The Plan, Table I, predicts that our current revenue base will not support the City's existing quality and mix of municipal services through the year 2013. The Plan model is a "baseline" projection; that is, future revenues and expenditures are estimated based on the City's current sources of revenue and level of services. The operating impacts of a new downtown library in FY 2010 and any new recreation park (Hillsboro-El Rio) in FY 2011 have been included in this Plan.

In FY 1010 the Boca Raton Community Redevelopment Agency (BRCRA) will start paying back to the City's General Fund for expenses related to the Mizner Park debt and maintenance. The reimbursement will be approximately \$2.5 million annually until the debt is totally extinguished.

This Plan provides us with an opportunity to evaluate current policies and practices before they create critical fiscal strains on the budgetary fabric. The best informed, fiscally sensitive decisions will be those deliberated with their longer-term implications in mind. To that end, we periodically update the Plan for the City Council.

With the recent economic downturn, Boca Raton has been weathering the storm. Our building permits have decreased marginally from \$11 million in 2007 to \$9.9 million in 2008. The real estate market has seen foreclosure rates in the 7.6% range. Tax base growth over the last five fiscal years has averaged 11.5% annually including a 3.6% recent decline. We anticipate a downward trend of 6% to 10% in taxable value growth for 2010 related to both the housing value decline and property tax reform.

Boca Raton became the first city or county in Florida to receive the highest credit rating from all three credit rating agencies. All three rating agencies recently reaffirmed the AAA rating for General Obligation Bonds of the City.

Moody's Investor Service reaffirmed Boca Raton's "Aaa" rating in January 2009 based on the following factors:

- Continued sound financial condition
- Low direct debt levels
- Weakened but still viable and diverse economy

Fitch Ratings reaffirmed Boca Raton's "AAA" rating in March of 2009 based on the following factors:

- Conservative fiscal management
- Historically sound finance performance
- Strong reserve levels

All three credit rating agencies have recognized the City of Boca Raton's commitment to provide superior quality of life and services to the residents of the City while at the same time maintaining a strong financial position with a very low property tax rate. This accomplishment is something that all residents of the City should be very proud of.

In February, 2009, the Water and Sewer financial condition was reviewed with the issuance of the 2009 Water and Sewer Revenue Refunding Bonds. Standard & Poor's and Fitch Ratings reaffirmed the AAA on the issue while Moody's Investor Services maintained the aa¹. Again, *the mission of the City of Boca Raton is to provide the highest quality of service to the community through responsible use of public resources to enhance our unique quality of life.*

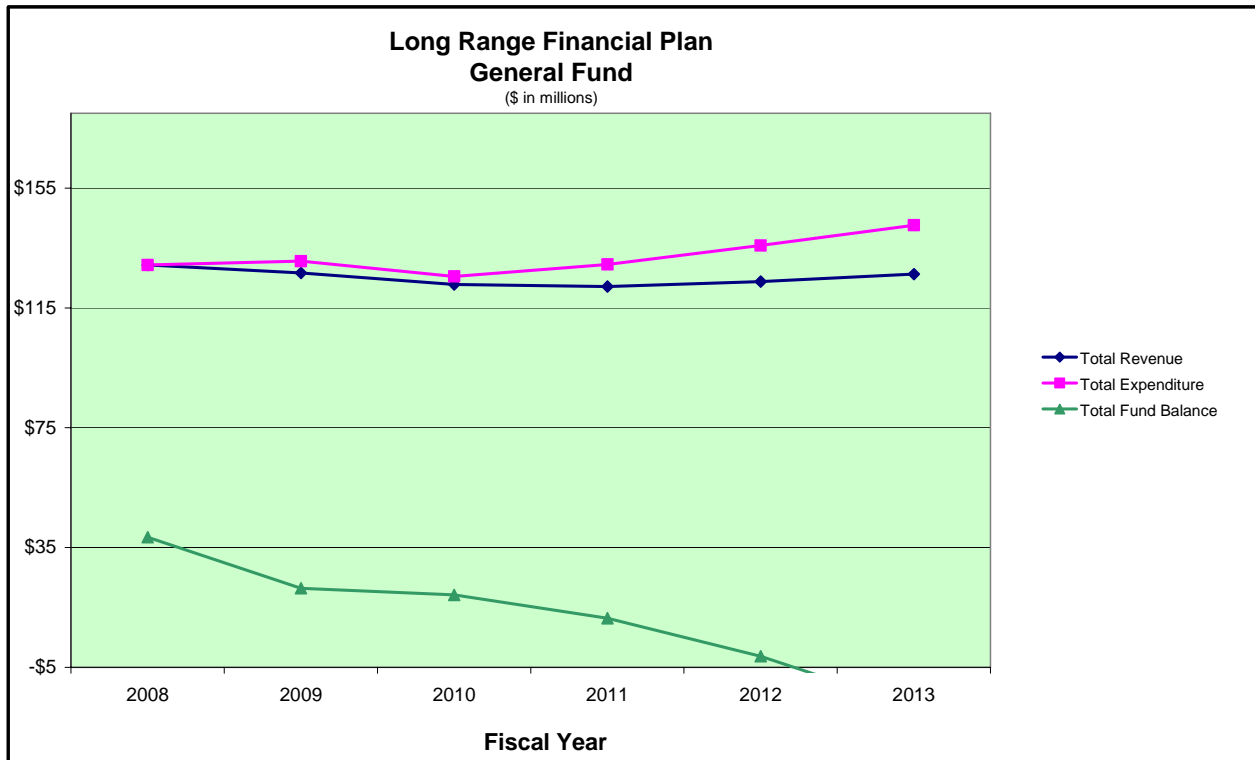


Table I

**Long Range Financial Plan
General Fund
(in thousands)**

	Actual		Budget		Projected			rate
	2008	2009	2010	2011	2012	2013		
Revenues (Sources)								
Property Taxes	\$ 50,689	\$ 47,939	\$ 44,150	\$ 41,899	\$ 41,899	\$ 42,737	-8.5	2%
Utility taxes	20,360	20,130	22,063	22,504	22,954	23,413		2.0%
Franchise Fees	13,804	13,850	14,127	14,410	14,698	14,992		2.0%
Licenses and Permits	12,656	9,410	9,659	9,945	10,241	10,544		3.0%
Intergovernmental	15,552	10,982	10,325	10,370	10,415	10,461		0.0%
Fees, Charges, other	12,341	13,913	14,362	14,731	15,123	15,541		2.0%
Fines	1,241	1,035	1,056	1,077	1,098	1,120		2.0%
CRA reimbursements			2,500	2,500	2,500	2,500		0.0%
Interest	2,725	2,200	1,726	1,751	1,778	1,804		1.5%
Transfers in		7,191						
Resources Forward			2,889	2,958	3,072	3,193		0.0%
Total annual revenues	129,368	126,650	122,855	122,144	123,776	126,305		0.0%
Expenditures (Uses)								
Personal services General	39,929	39,046	41,193	43,459	45,849	48,371		5.5%
Personal services Public Safety	40,851	42,569	45,549	48,737	52,149	55,799		8.0%
Other	27,913	27,573	27,987	28,406	28,833	29,265		1.5%
Supplies	2,848	3,016	3,061	3,107	3,154	3,201		1.5%
Capital	673	726	726	726	726	726		0.0%
Major new cip projects with op impact		-	360	514	514	514		
Transfers to other funds net	17,129	17,700	6,670	4,600	4,641	4,715		
Total Expenditures/Transfers	129,342	130,629	125,546	129,550	135,865	142,592		
Annual increase (decrease) in funds	26	(3,979)	(2,690)	(7,406)	(12,089)	(16,286)		
Beginning Reserves	50,639	50,665	46,685	43,995	36,589	24,500		
Total available	50,665	46,685	43,995	36,589	24,500	8,214		
Designations/planned fund balances	12,233	25,296	24,788	25,188	25,819	26,492		
Available (shortfall) for future years	\$ 38,432	\$ 21,389	\$ 19,207	\$ 11,401	\$ (1,319)	\$ (18,278)		

Maintenance of Current Mix and Level of Services

We anticipate the decrease in residential, commercial, and industrial property values will continue to decline for the next two fiscal years. Therefore, we are expecting a decrease in property tax revenue of \$3.8 million in FY 2010 and \$2.2 million in FY 2011. Demand-driven revenue such as Sales Tax, and State Shared Revenues are also expected to decrease in the current fiscal year and we anticipate no growth until the economy improves. Interest revenue has also declined in recent months. These declines will continue until FY 2012 and this Plan reflects this.

While the City's revenues continue to decrease, expenses are increasing. The City is facing significant increases in most costs from energy to health care to pension costs.

The City has been able, with increased property values and sound financial management, to build up reserves over the last few fiscal years. The Plan reserves \$10.6 million for hurricane disaster emergency, Mizner Park debt service of \$1.6 million and a 10% reserve of the total General Fund budget as recommended by the bond rating agencies. The City also has additional liabilities to fund accrued employee leave, compensated absences, sick leave and corresponding Social Security taxes totaling \$11.2 million. Potential liabilities include the pending lawsuit with the original contractor on the Spanish River Library and a potential FEMA hurricane reimbursement. These are not established in the Plan. The current FY 2009 budget anticipates using \$4 million of the reserves to balance the operating budget.

The future use of reserves as a one-time source to balance the operating budget can be dangerous as shown in the later years of the Plan. Without new or expanded revenue sources, expenditures for programs will have to be curtailed. Drawing down reserves to meet future shortfalls in operating budgets without new or expanded revenues will have severe financial consequences for the City.

Revenue and Expenditure Growth

The Plan projects expenditure growth rate will outpace revenue growth. Projected revenues and expenditures for the forecast period are expected to grow at lower overall levels than have been experienced recently. It is this conclusion which leads to the expectation that during the Plan years, revenue growth will not cover a moderate growth in operating expenditures.

The recent General Obligation Bond Issue for libraries is nearing completion. The Spanish River Library opened in early 2008. Land acquisition for the new downtown library is complete, but design and construction have been placed on hold because of the downturn in the economy.

Adjustments to Property Tax Millage

The City's FY 2009 ad valorem millage rate was unchanged from FY 2008. FY 2009 property values **decreased 3.63%** in the City. The net decrease is composed of a 5.0% decrease from reassessments of existing properties and an increase of 1.37% from new construction (net of CRA Downtown values). The City's General Fund will receive \$2.75 million less in property taxes in the current fiscal year as compared to FY 2008.

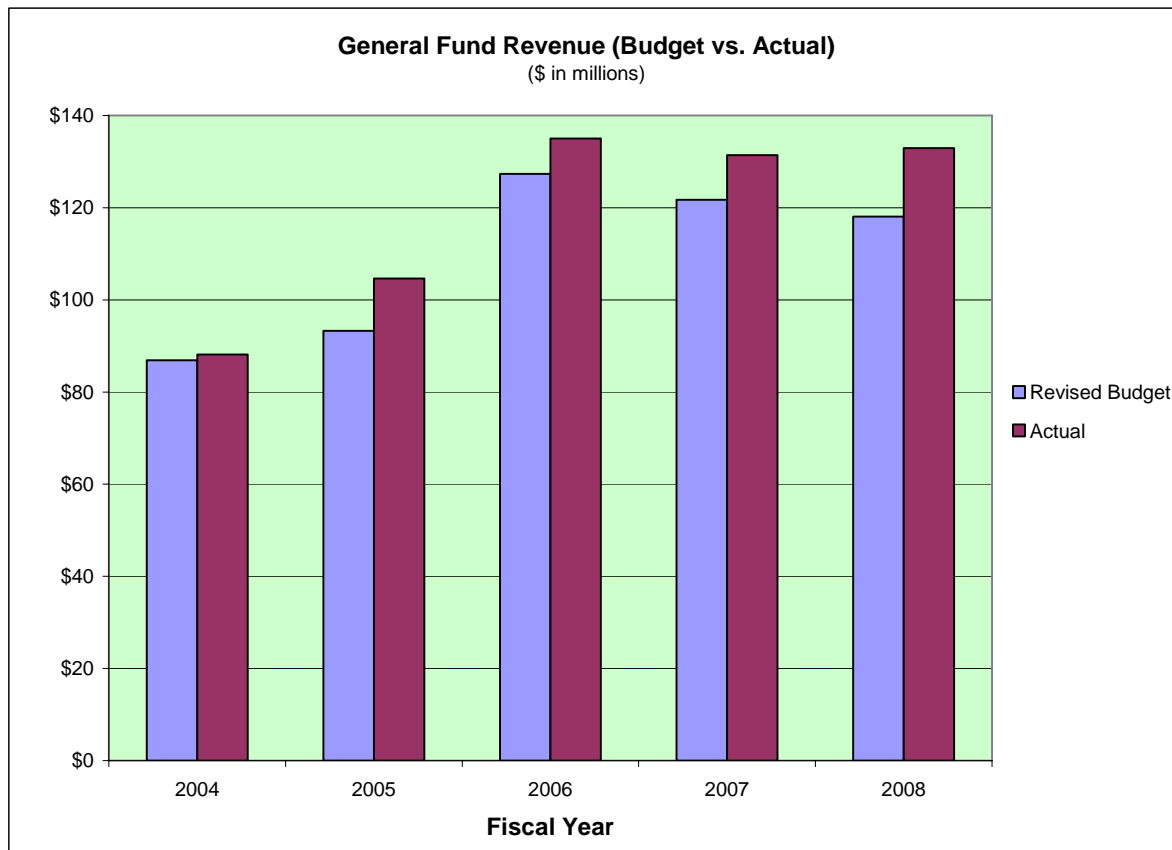
For FY 2009, the County Property Appraiser certified the City’s taxable assessed value for operations in the amount of \$19.6 billion. The tax base increased from new construction by \$277 million while reassessments declined by \$1.025 billion resulting in a decrease of \$738 million over last year’s tax base. The City has the highest assessed valuation of any municipality in Palm Beach County and the lowest property tax millage for a full service City.

How have we prospered?

Over the majority of the last five years, which includes the annexations in 2004 and 2005, the City has experienced growth in property taxes, public service (utility) taxes, licenses and permits, sales tax and Enterprise Fund contributions. We do not expect these revenues to continue at the same level.

During the budget process, a very realistic approach is used to forecast revenues. Economic conditions vary from year-to-year, which impacts the ability of the City to raise necessary funds to meet budget obligations. The result has been that actual revenues have exceeded budget forecasts in the past five years. While some would suggest that we are being too conservative, a five-year average, with a 3% variance is a realistic goal.

During this period, several one-time revenues are included in the history. These include FEMA reimbursements of \$19.4 million in FY 2006, annexation revenue growth in FY 2005, and several large building permits (Office Depot / Boca Raton Resort & Club) in FY 2008.



In projecting expenditures, we budget 100% of personal service costs, supplies, other operating expenses, and capital items. During the budget process, department estimates for the current operating year are revised based on the six-month actual history. After this process, current year expenditures may be revised by a budget transfer as long as the total department budget does not change. Any increases in the total department's budget require a budget amendment (by ordinance) approved by City Council. Our expenditure history details recent vacant public safety positions.

Historically, a variance has occurred where department budgets are not 100% expended. These "savings" become available resources as a future funding source. The savings over the last five years have traditionally been *resources forward* for meeting future obligations and have allowed the City to "roll back" or maintain its property tax. It is important to point out the use of these "savings" is a normal government financing method rate.

The Plan uses the adopted revenue budget for FY 2009 at a rate of 101% of budgeted revenues when forecasting various revenue sources. The Plan uses the adopted expenditure budget for FY 2009 at a rate of 98.5% of budgeted expenditures when forecasting personal service costs, supplies, other operating expenses, and capital items. The variance between revenues and expenditures becomes a revenue source for the next budget year (*resources forward*).

City's Strong Financial Position

Boca Raton has maintained a triple "A" rating from the three bond credit rating agencies. ***Boca Raton became the first and only city or county in Florida to receive the highest bond credit rating from all three credit rating agencies.*** A recent review affirmed the triple "A" rating by Moody's Investors Service and Fitch Ratings. To the taxpayer, this means the City borrows funds for capital projects at interest rates substantially lower than the average municipality and normally without additional expense for credit enhancements such as bond insurance. The net result to the taxpayer is a lower debt service property tax millage rate.

Strong financial position indicators of the City:

- ◆ ***Fund Balance of at least 10% of the budget.*** Rating agencies recommend a fund balance of at least 5% of the budget, but being a coastal community in Florida, they informally tell us they are looking at a balance in the 10% vicinity. Our current rating is based on a history of strong undesignated fund balances. The General Fund Plan anticipates a 10% fund balance in the budget commencing in the current and all future years.
- ◆ ***Ability to raise revenue.*** The City has the option of raising significant revenue with only a minor increase in ad valorem millage rates while still being substantially below the ten mill cap, which provides our City with significant revenue potential for the future. With the recent State Legislature mandated property tax reform the City's ability to increase taxes might be curtailed in future.
- ◆ ***Additional user fee revenues available.*** The City has the opportunity to charge additional user fees to cover the cost of services. City staff will review and make recommendations during the FY 2010 budget process to include additional user fees. Staff will also examine current fees to determine they are adequately recovering costs. Proposed State Legislation may limit the City's ability to adopt or increase fees in the future without referendum.

Assessed valuations. Our assessed valuations are \$19.6 billion for FY 2009. The City experienced a decrease in values due to a downward trend in reassessment of property. With a current real estate market downfall, the City anticipates a continuing decline in property values.. The plan anticipates an 8% decline in property values for the FY 2010 budget and the decline continuing in the FY 2011 at the 5% level.

- ◆ **Sound financial management.** Due to increased operating costs and the projections of revenues not increasing in the same manner along with property tax revenue constraints, the City is limited in its ability to support planned service expansions, implement new programs, and hire new personnel without increasing taxes or changing existing service levels. In the adoption of the FY 2009 budget the following cuts were made:
 - There were no new programs approved for the current fiscal year.
 - Several programs were scaled back.
 - Several new user fees were implemented for FY 2009 including a sanitation fee for single family and multi-family residential units, parking systems in the downtown and city beach parks, and additional administrative reimbursements from the Greater Boca Raton Beach and Park District.

- ◆ **Solid local economy.** Boca Raton continues to attract top Fortune 500 companies and new jobs due to the high quality of life and improving economy. Specific news related to Boca Raton's current market includes the continuing presence of national and international firms. Office Depot recently relocated its global corporate headquarters to Boca Raton. The three story headquarters (624,320 square feet) houses 1,500 employees with a maximum capacity of 2,500 employees.

What does our future hold?

The State Legislature mandated property tax reform combined with a slowing real estate market will continue to have a significant impact on the City's budget for at least the next several years. Current projections indicate that General Fund revenues will grow at an estimated rate of .8% annually for the next several years while at the same time operating expenses are projected to increase 5.1% annually. In the upcoming years, as a result of these issues, the City will likely be faced with some difficult choices between raising fees and taxes and maintaining existing services.

- ◆ An additional decrease in property tax rates other than what is forecast in this Plan or the addition of new programs without funding sources will have a negative financial impact on this Plan.

- ◆ At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$33.575 million while the total fund balance amounted to \$50.665 million. There are several large scale Capital Improvement Projects (CIP) scheduled for FY 2009 including: the widening of N.W. 12th Avenue and the continued development of a Transportation Demand Management System. Due to the increases in construction costs and the State Legislature limits on property tax revenues, the FY 2009 approved budget includes a transfer from General Fund reserves of \$6.1 million to complete these projects in a timely manner.

- ◆ Unreserved and undesignated fund balance represents 30% of total General Fund expenditures and other financing uses, while total fund balance represents 39% of that same amount.
- ◆ Underperformance in the stock market and its impact on the City's pension plans, potential declines in overall property values and the continued increase in costs, among other factors, could have a significant impact on the City's ability to operate within existing resources.

RECOMMENDATIONS

Maintain Recommended Fund Balance

The rating agencies have recognized the City's history of having strong fund balances. It is essential that fund balance be maintained and not be used as a revenue source when new programs are added without an offsetting revenue source. At the end of the prior fiscal year, the City had accumulated a strong fund balance. However in the current fiscal year, several capital projects, a portion of the construction of a new Downtown Library and other capital projects are being funded with a transfer of \$6.1 million from General Fund reserves.

The landfall of six hurricanes in Florida the last few years provided a tough lesson to most communities on the potential effects of our environment. Having a strong fund balance enabled the City to quickly react to emergencies and to provide for debris removal.

Explore additional annexations

Future annexations of high-end assessed property requiring few additional services will significantly increase the revenue stream necessary to maintain a stable financial future. The City needs to examine areas that would benefit future City finances without diminishing future resources. The two most recent annexations have added substantial revenue without significant costs to operations.

Explore Other Fees for Services

With a substantial decrease in property taxes forecast over the first year of the Plan and the reality of drawing down our existing fund balance, the City needs to recover all costs related to providing services. The City should continue the gradual increase in sanitation fees to fund 100% of the costs of providing this service. This is a normal fee in almost all cities and a charge in the unincorporated areas of Palm Beach County.

Our fire assessment fee has helped to offset ongoing increased costs of operating fire services, but this fee needs to increase to more properly reflect the cost of fire services. The City has for the last two fiscal years assessed a small portion of the cost of providing fire services in the City to property owners of the City. These fire assessments have been collected through the uniform method of collection using the non-ad valorem process. That is, it is collected by the County as part of the annual property tax process and is remitted back to the City by the County.

The City does not charge for parking. In the current budget, a new program is being instituted to establish parking systems in the downtown and beach areas. The City is also exploring a red light enforcement program as a safety and revenue program. The City anticipates both of these programs to be in place during FY 2010.

Be Very Selective About Service Additions

The addition of new on-going programs should be matched with a new or alternative source of revenue or should be “traded off” with an existing program of equal size and growth parameters. It is essential that City Council consider service expansion cautiously, especially outside of the formal annual budget development process.

Continue Emphasis on Efficient use of Existing Resources

Performance measurements, management studies, and other budgetary control measures are among the ways that the City has placed new emphasis on the efficient use of existing resources. Staff recommends continued emphasis on priorities and trade-offs when making budget decisions.

Continue Emphasis on Finding Effective Cost Containment Measures

Staff should continue to bring forward cost containment measures aimed at mitigating the trend lines of some of the more escalating expenditure items. Recent union negotiations with general employees have reduced pension costs in the future by adding a defined contribution option plan for all new hires. Over the long term this should reduce pension costs for general employees.

Continue Evaluations of Long-Term Effects of Decisions

It is essential that the City Council place a continuing emphasis on evaluating the long-term fiscal impacts of their decisions and, where possible, match future significant long-term service costs with an appropriate and reliable funding source. The cost of Public Safety has placed a heavy burden on future City finances with pension and pay issues for the City to remain competitive. The City must be very cautious over these Public Safety union negotiations, but balance their costs with the need to attract and retain quality employees.

Continue Evaluation of Comprehensive Cost Recovery Objectives

Good progress has been made in several fee-supported programs. Revenue and expenditure match-ups are improving where re-thinking and re-negotiating have taken place. Staff recommends continued development and monitoring of cost recovery approaches already in place, and suggests that changes in cost recovery goals and objectives be conscious decisions with the relevant revenue and expenditure information at hand, and that the City continue to examine new areas for cost recovery via service fees.

CONCLUSION

There are external factors outside of the control of the City Council, which may significantly affect the City's ability, even with a prudent financial plan, to continue to provide the highest quality of service.

This is the thirteenth update of the City's Long-Range Financial Plan. Our objective was to provide the City Council, management, and the citizens of Boca Raton with prudent financial planning to enable future leaders to make decisions, which will benefit future residents while maintaining the high quality of life that our citizens expect. It is our mission to *provide the highest quality of service to the community through responsible use of public resources to enhance our unique quality of life.*

**GENERAL FUND
REVENUE AND EXPENDITURE ASSUMPTIONS**

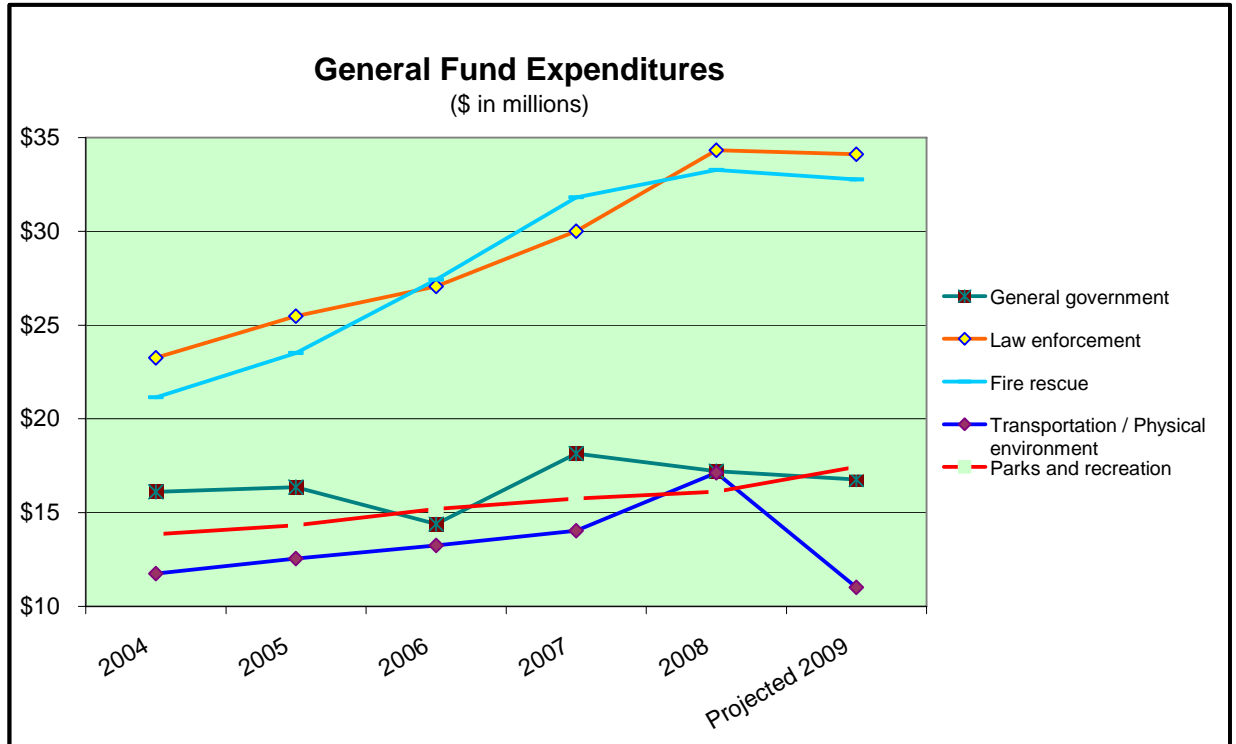
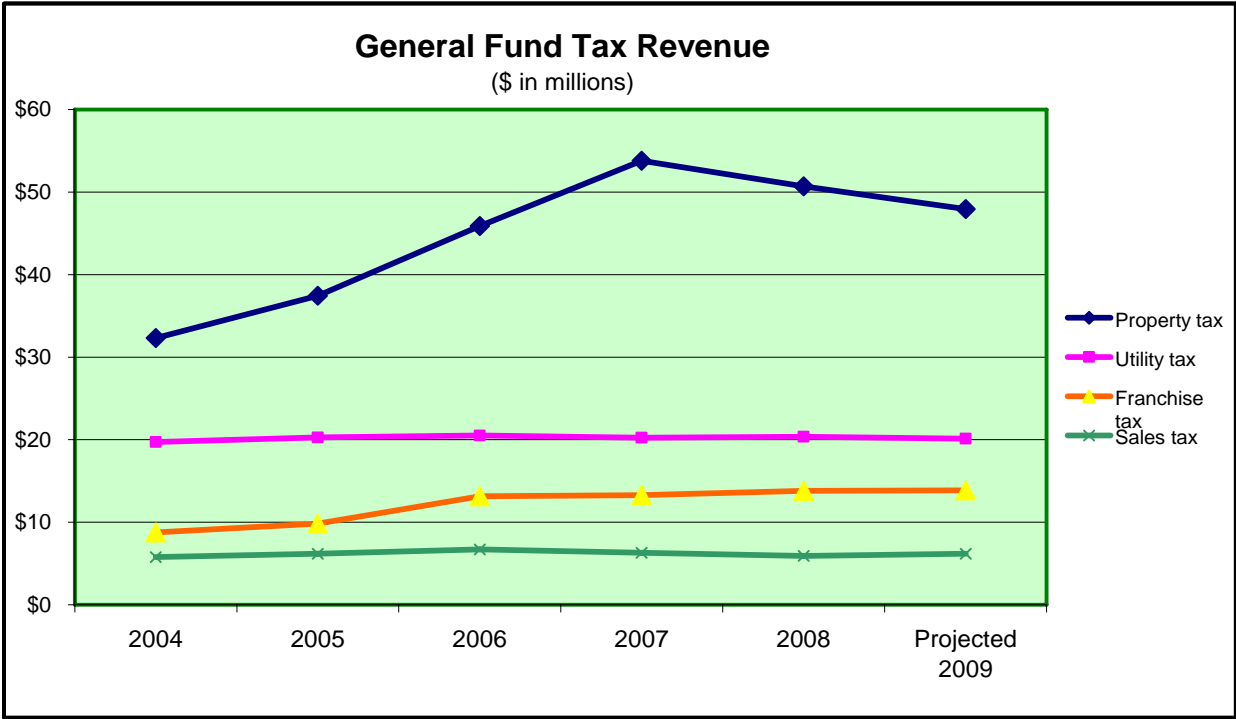
This section covers the revenue and expenditure assumptions for the General Fund from 2009 through 2013. It begins with a summary of overall revenue and expenditure assumptions. It is followed by detailed discussions with in-depth explanations of the changes expected to occur in future years for selected revenue categories compared to historical performance and expenditure classifications. Graphs and tables are included to better illustrate and explain results.

OVERALL RESULTS

Table II provides the history of General Operating Fund from 2004-2008 and the five-year average growth rates for the major revenue classifications. FEMA reimbursements are reflected in FY 2006 totaling \$19.4 million. Annexations in FY 2004 and FY 2005 also increased revenues.

Table II

General Operating Fund History						
(\$ in thousands)						
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	Average Growth
Revenues						
Property taxes (Rev)	\$ 32,318	\$ 37,441	\$ 45,877	\$ 53,791	\$ 50,689	11.5%
Utility taxes (Rev)	19,717	20,276	20,504	20,247	20,360	-0.4%
Franchise fees (Rev)	8,765	9,829	13,897	13,295	13,804	12.6%
Licenses and Permits (Rev)	6,362	8,996	10,873	14,159	12,656	18.5%
Intergovernmental (Rev)	9,852	16,102	31,269	11,076	15,552	28.7%
Fees, charges, other (Rev)	10,277	10,620	10,442	11,502	12,344	5.7%
Fines (Rev)	1,174	1,272	1,550	1,090	1,241	3.7%
Interest (Rev)	566	810	2,102	3,037	2,725	46.4%
Total Revenues	\$ 89,031	\$ 105,346	\$ 136,514	\$ 128,197	\$ 129,371	9.6%
Expenditures						
Personal services (Exp)	\$ 60,427	\$ 64,940	72,749	76,350	80,780	8.1%
Supplies/other (Exp)	25,282	25,794	47,384	33,039	30,765	13.6%
Capital (Exp)	402	1,486	1,194	692	673	42.6%
Transfers (Exp)	7,440	4,961	4,999	6,134	17,129	29.7%
Total Expenditures	\$ 93,551	\$ 97,181	\$ 126,326	\$ 116,215	\$ 129,346	9.5%
Annual Balance	\$ (4,520)	\$ 8,165	\$ 10,188	\$ 11,982	\$ 25	
Cummulative Balance	\$ 20,305	\$ 28,470	\$ 38,658	\$ 50,640	\$ 50,665	



* Includes impacts of hurricane costs

The City generated a positive variance of approximately \$15.8 million between the final adopted budget and actual results of operations. Actual revenues exceeded final budgeted revenues by \$14.9 million. This positive variance was primarily the result of several factors. \$4.7 million in federal grants was received for the reimbursement of hurricane repairs. Premium taxes for police officer and firefighter pension benefits were \$2.5 million greater than anticipated. License and Permits actual revenues exceeded final budget revenues by \$4.7 million primarily due to one time large building permits (Office Depot and Boca Raton Resort & Club).

Actual expenditures during the year were approximately equal to the final budgeted expenditures. During the year, however, expenditures in most areas met budgetary estimates, producing the positive budget variance of \$15.8 million and eliminating the need to draw upon existing fund balance with a slight positive increase in fund balance.

Over the forecast range, General Fund revenues (Table III) are projected to increase at an average annual rate of 0% to 3.0%. The Plan is a “baseline” model; thus, the Plan does not include the addition of any new revenues during the forecast period.

Table III

Four-Year Forecast Growth Rates			
<u>REVENUES</u>		<u>EXPENDITURES</u>	
Major Revenue Classifications and Categories	Forecast <u>4 Year Average</u>	Major Expenditure Classifications	Forecast <u>4 Year Average</u>
<u>Taxes</u>		Personal Services (Wages & Benefits)	7.0%
Property Taxes	-8% to 2%	General	5.5%
Public Service (Utility) Taxes	2.0%	Public Safety	8.0%
Franchise Fees	2.0%	Supplies/other	1.5%
		Capital Outlay	1.5%
<u>Licenses & Permits</u>	3.0%	Transfers:	
		Right-of-Way Beautification	1.5%
<u>State Shared (Intergovernmental)</u>	0%	Capital Improvement Program	1.5%
		Non-Ad Valorem Debt	Actual Per Year
<u>Charges for Services/Contributions/Other</u>	2.0%	Other Funding	
		Grants	Per Grant
<u>Fines</u>	2.0%	Designations	Current
<u>Interest</u>	1.5%		

DISCUSSION OF REVENUES

PROPERTY TAXES

FY 2009 property values **decreased 3.63%** in the City. The net decrease is composed of a 5.0% decrease from reassessments of existing properties and an increase of 1.37% from new construction (net of CRA Downtown values). This is the first decline in property values the City has experienced since 1992 and well below the City's twenty-year average property value growth rate of 7.2%.

On January 29, 2008, voters approved Amendment 1, a change to Florida's Constitution. The amendment allows residents with a Save Our Homes assessment cap to transfer all, or a significant portion, of their tax savings to a new property anywhere in the state. The amendment also doubles the homestead exemption for properties valued at \$75,000 or more for all tax levies except school districts. It exempts the first \$25,000 in value of equipment used by businesses, and creates a 10% annual assessment cap similar to Save Our Homes, for non-homestead properties. Amendment 1 is retroactive to January 1, 2008. The City collected \$2.1 million, or 3.3% less in property taxes due to Amendment 1.

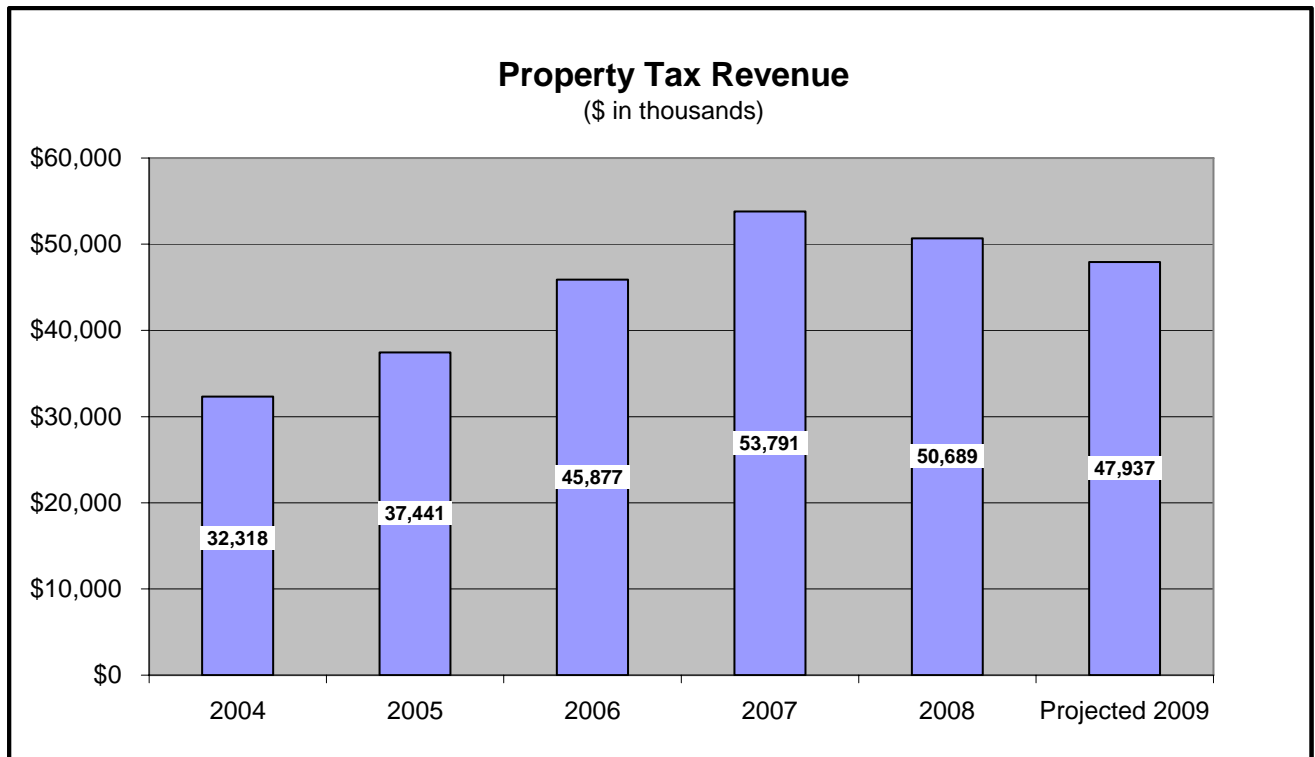
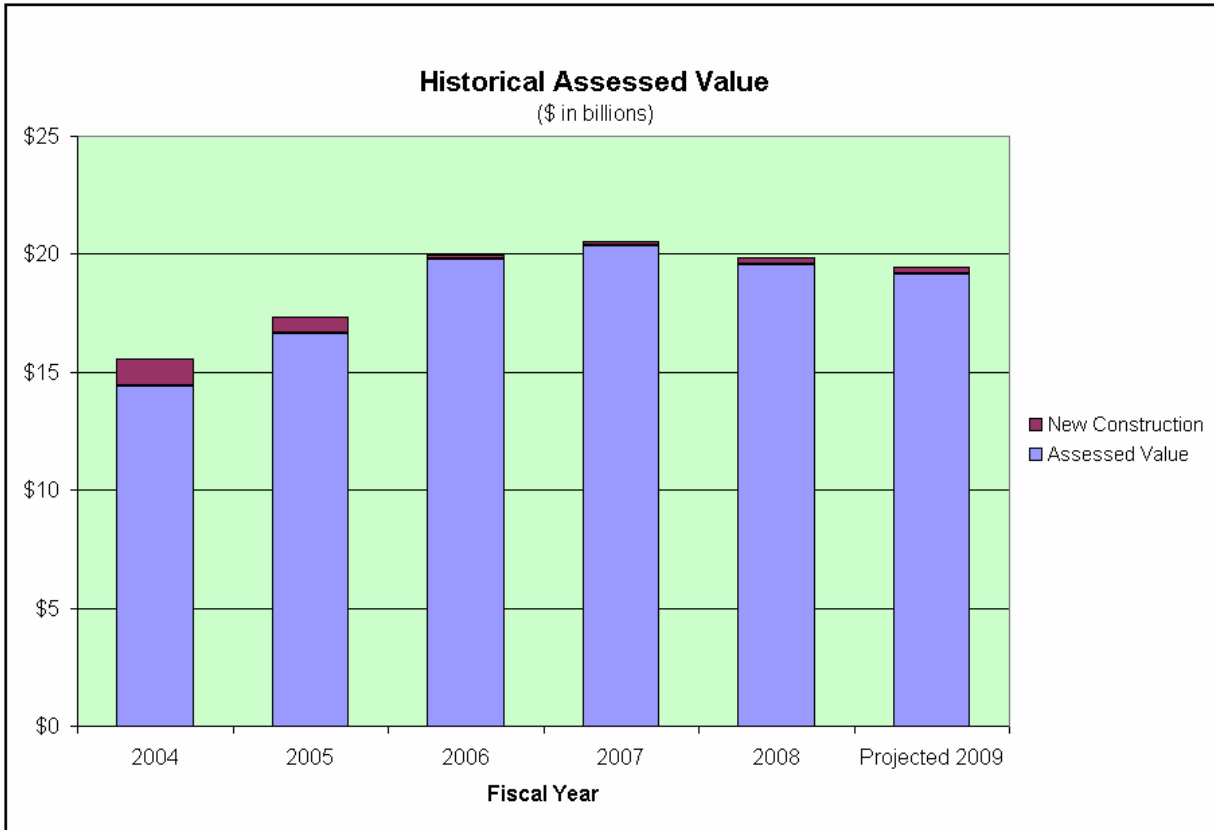
This Plan assumes no additional amendments or legislature in the property tax laws. They will remain as currently structured over the five-year period. A portion of the property taxes will continue to be allocated to the payment of the voter approved general obligation debt service costs, which are collected and accounted for in the Debt Service Fund. A portion (currently 15%) of the ad valorem millage will continue to be used for the Capital Improvement Program (CIP).

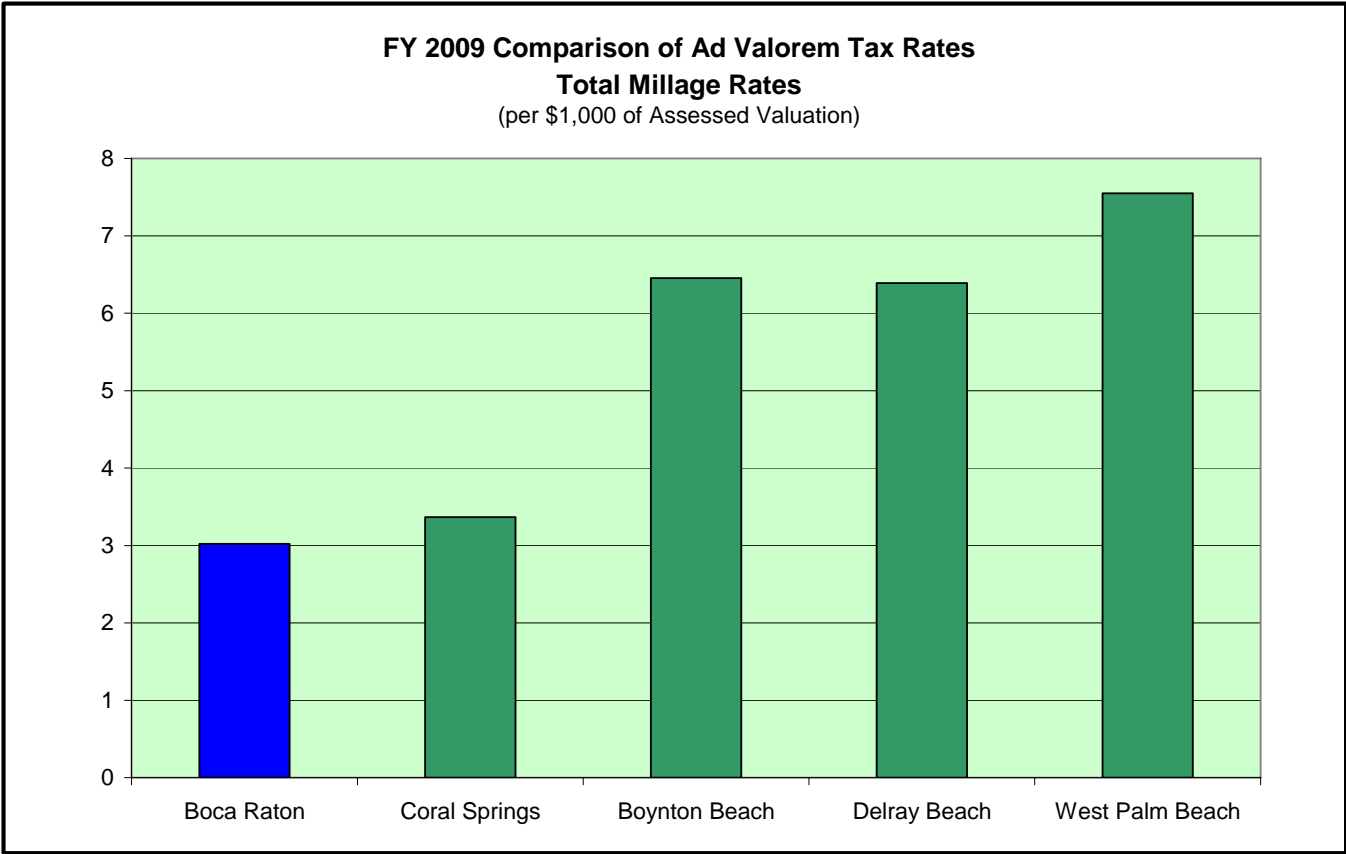
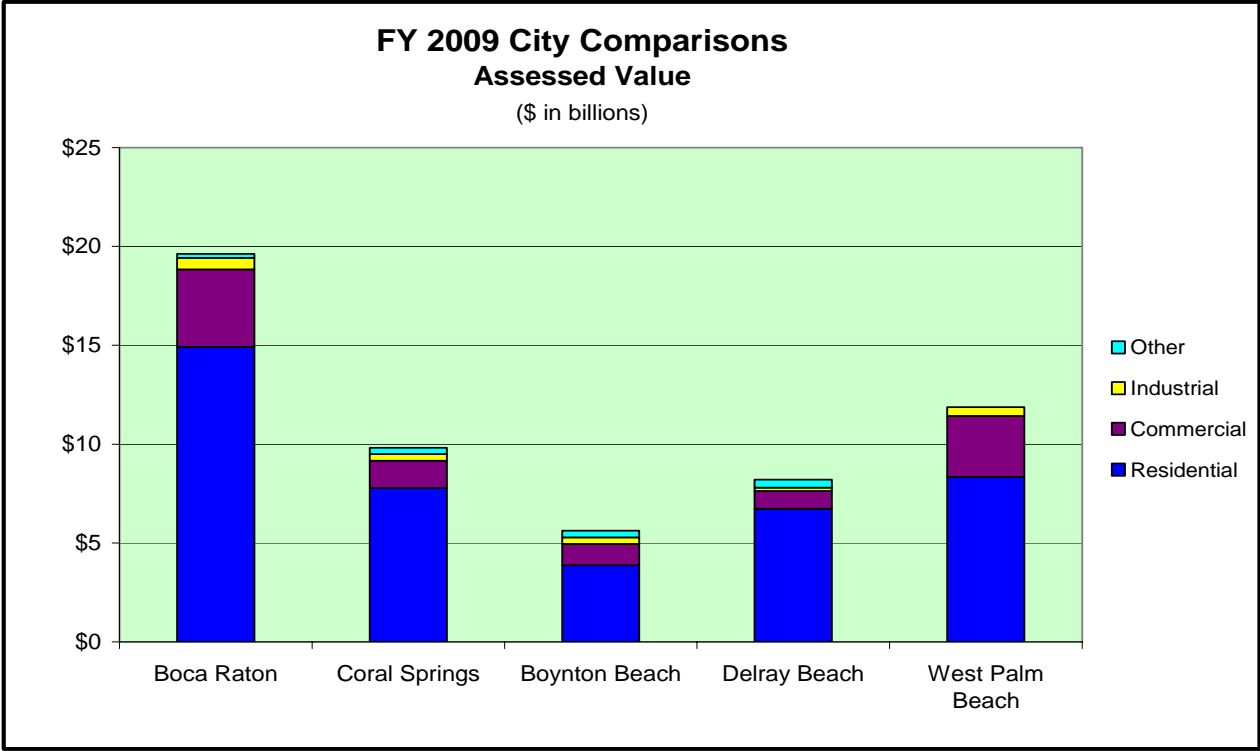
It is important to understand the structure of property taxes and the effect of certain policies on this revenue source. Taxable assessed values in the City continue to be the highest among municipalities in Palm Beach County. The City's assessed value is almost double any other City/Town in Palm Beach County. As stated earlier, this trend may not continue as market conditions slow or legislation is enacted.

For FY 2010, the City anticipates property assessments will continue to decrease. The following chart projects the continued decline from 2009 to 2010.

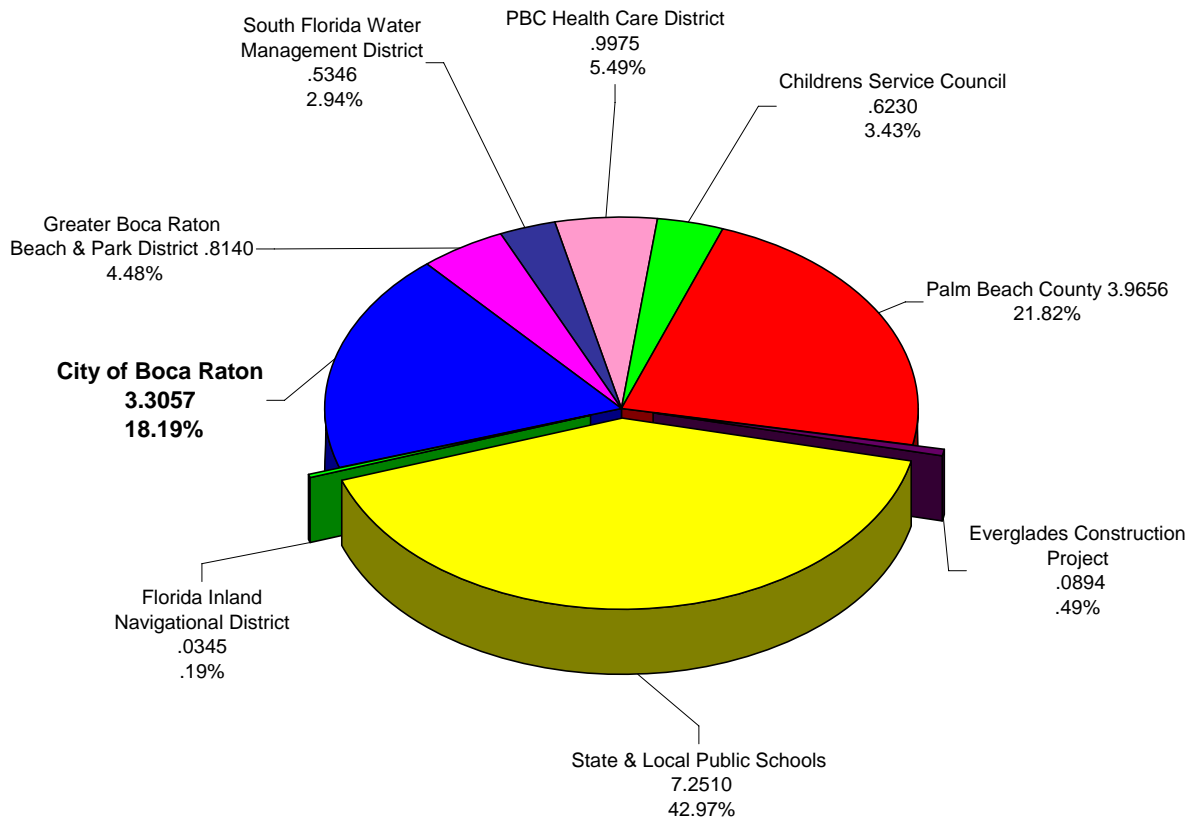
Assessed Values	% Distributed by Property Type	Actual FY 2009	Projected FY 2010	Projected Decrease
Residential	70%	\$ 13,765,970,148	\$ 12,527,032,835	-9%
Commerical	25%	4,959,326,446	4,711,360,124	-5%
Personal Property	5%	961,984,453	865,786,008	-10%
Total Taxable Values		\$ 19,687,281,047	\$ 18,104,178,967	-8%
Projected Property tax revenue				
100% total		59,455,589	54,674,620	
95% collection rate		56,482,809	51,940,889	
85% general fund		\$ 47,938,900	\$ 44,149,756	\$ 3,789,144

The graph below shows the historical assessed value of the City.





City taxes for 2009 represent approximately 18.19% of the total tax bill for a typical single-family homeowner. Major taxing bodies include:



PUBLIC SERVICE (UTILITY) TAXES

The City has the right, by Florida State Statute, to tax utility services provided to the residents and businesses within its corporate limits. The City is currently levying 10%, which is the maximum tax allowed, on electricity, water, natural gas, and liquid petroleum. Of this amount, 1% is dedicated to the Right-of-Way Beautification Program, 1% is for the Six-Year Capital Improvements Program, and the balance, 8%, is used for general City operations.

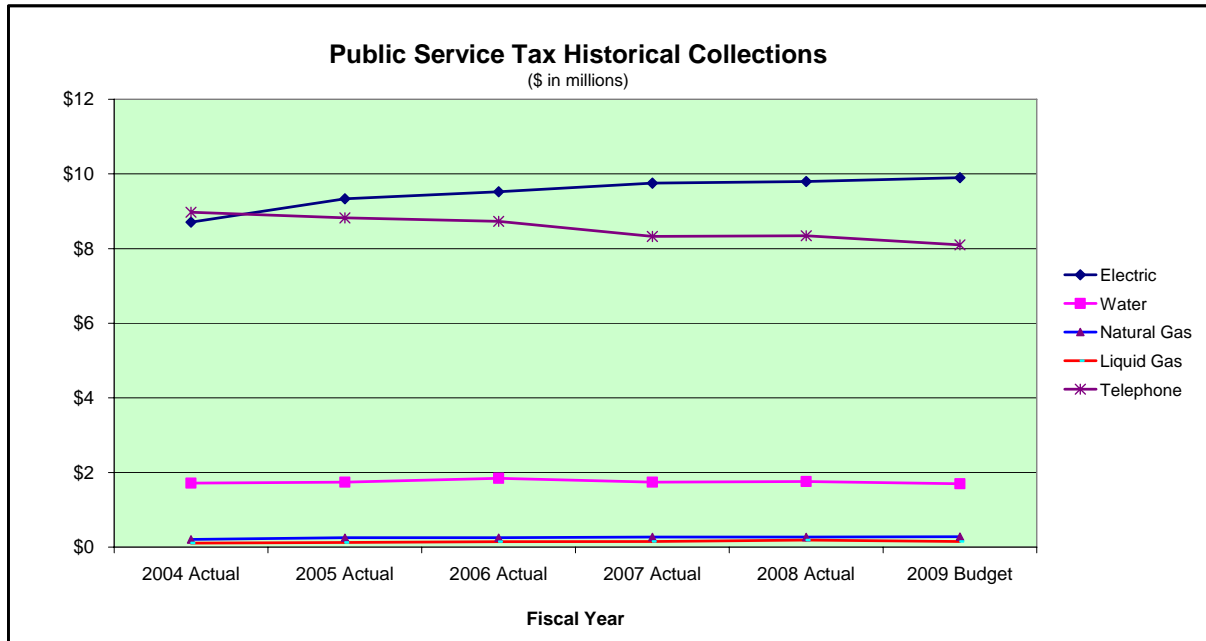


Table IV

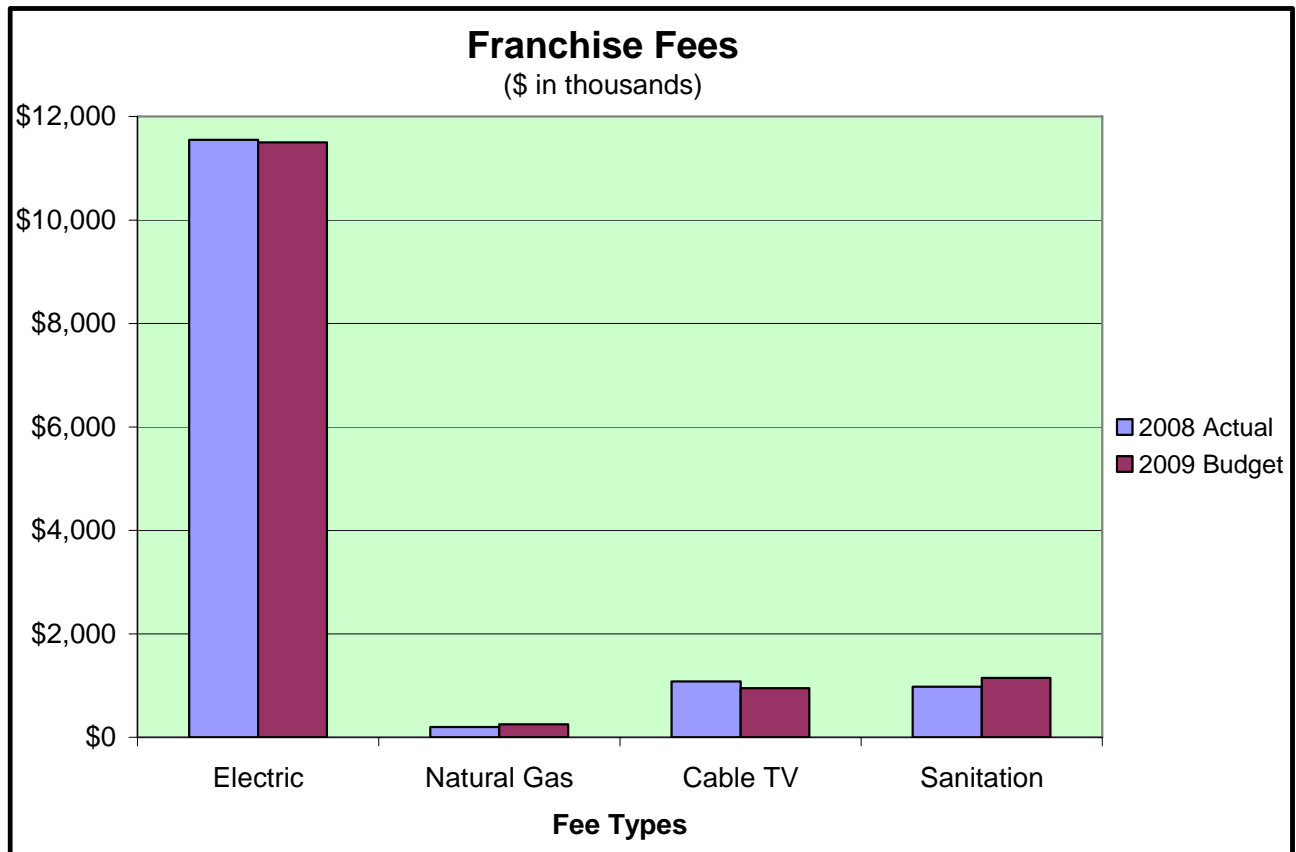
Public Service (Utility) Taxes		
	<u>2008 Actual</u>	<u>2009 Budget</u>
Electric	\$9,798,648	\$9,900,000
Water	1,757,122	1,700,000
Natural Gas	272,650	280,000
Liquid Gas	186,783	150,000
Telecommunication	<u>8,344,536</u>	<u>8,100,000</u>
Total Public Service Taxes	<u>\$20,359,739</u>	<u>\$20,130,000</u>

FRANCHISE FEES

The City has multi-year franchise agreements with electric, cable TV, and natural gas providers. The City recently instituted non exclusive franchise fees for construction and demolition (C&D) debris and haulers of commercial solid waste. Collections for the year were \$623,863 for commercial solid waste collections and \$354,478 for C&D for the full year for a total of \$978,340. The City franchise fees have increased an average of 12.6% over the last five years.

Table V

Franchise Fees				
	Rate <u>Levied</u>	2008 <u>Actual</u>	2009 <u>Budget</u>	Franchise <u>Expiration Date</u>
Electric	5.9%	\$11,548,212	\$11,500,000	2036
Natural Gas	5%	196,963	250,000	2024
Cable TV	6%	1,079,979	950,000	n/a
Sanitation- C&D/commercial	8% -15%	<u>978,340</u>	<u>1,150,000</u>	n/a
Total Franchise Fees		<u>\$13,803,494</u>	<u>\$13,850,000</u>	



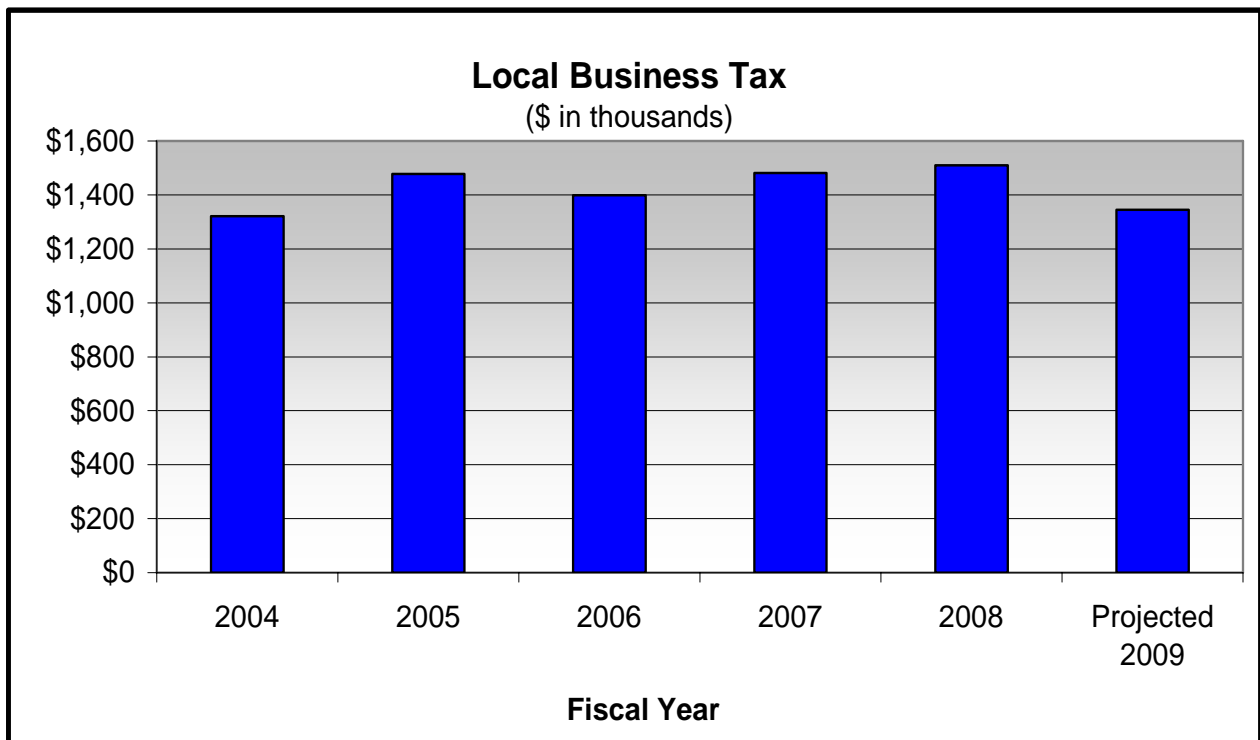
LICENSES AND PERMITS

Permits and Licenses make up 7.56% of the total FY 2009 budget. This category includes professional licenses, building permits, and inspection fees.

Local Business Tax

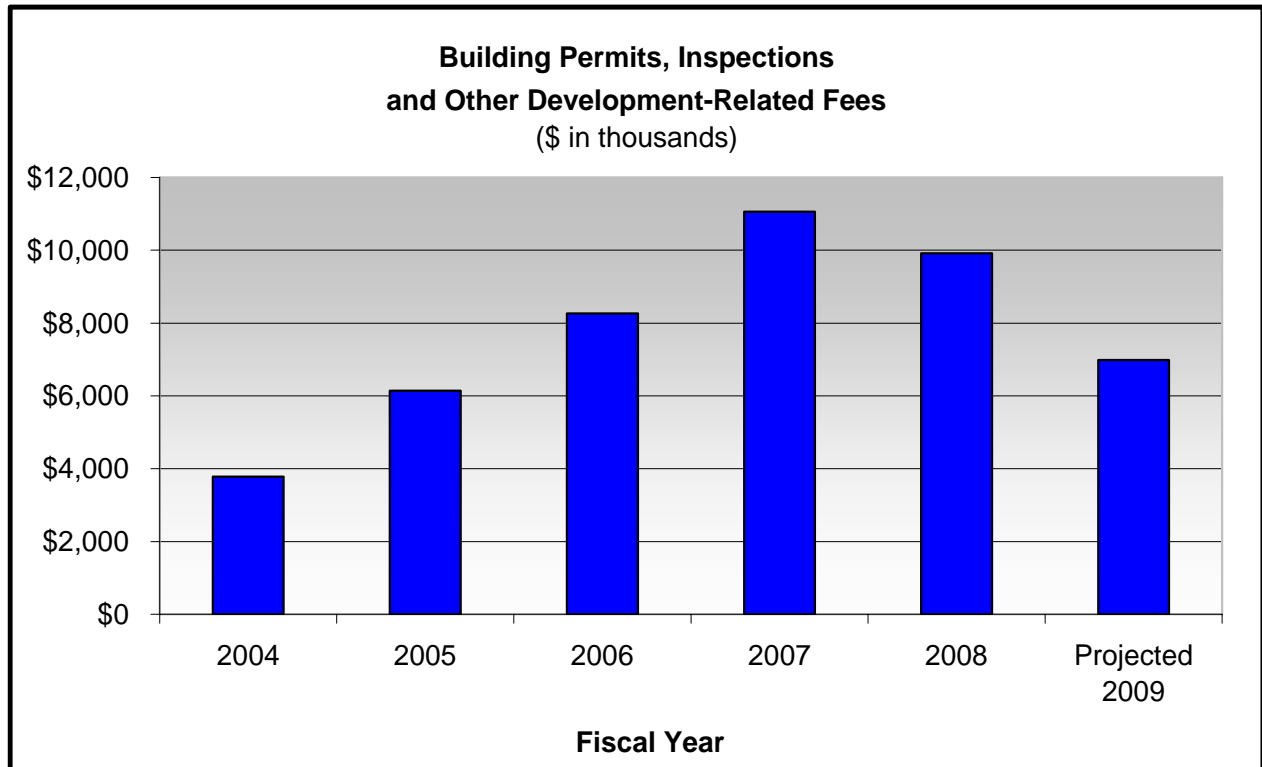
Business taxes were revised in October 1, 1995, to reflect a flat rate for most business and professional categories. Penalties were also increased. The licenses are not based on gross income; therefore, the revenue generated will not fluctuate with the economy.

The effect of going to a flat rate did not generate significant changes in license revenue. The City has continued to receive about the same revenue or slightly higher amounts in revenue.



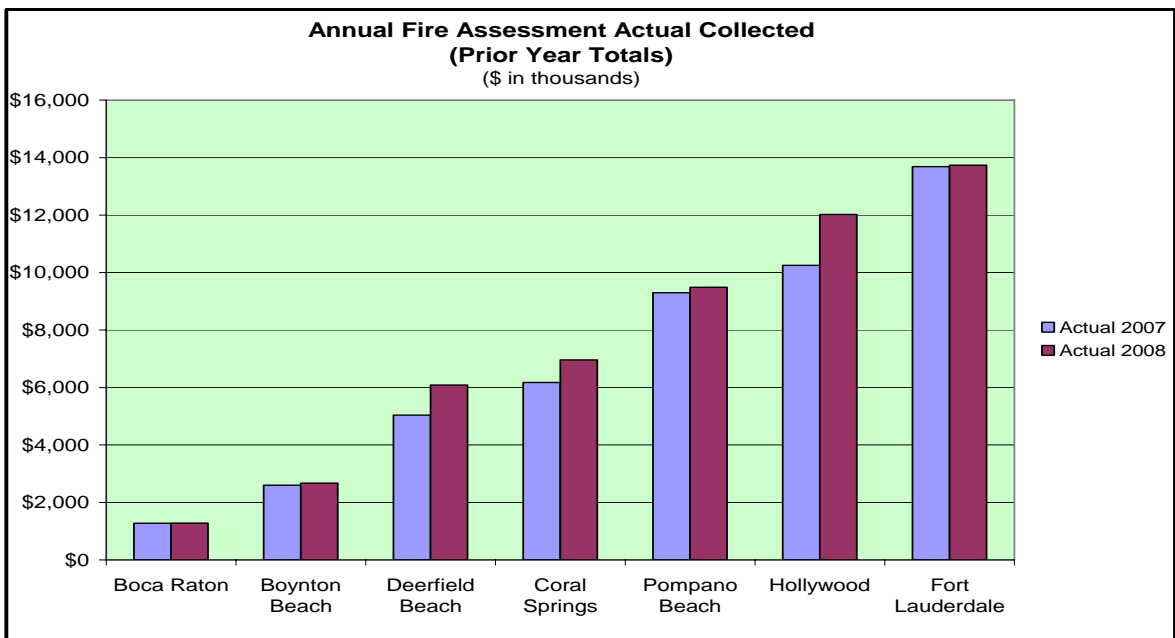
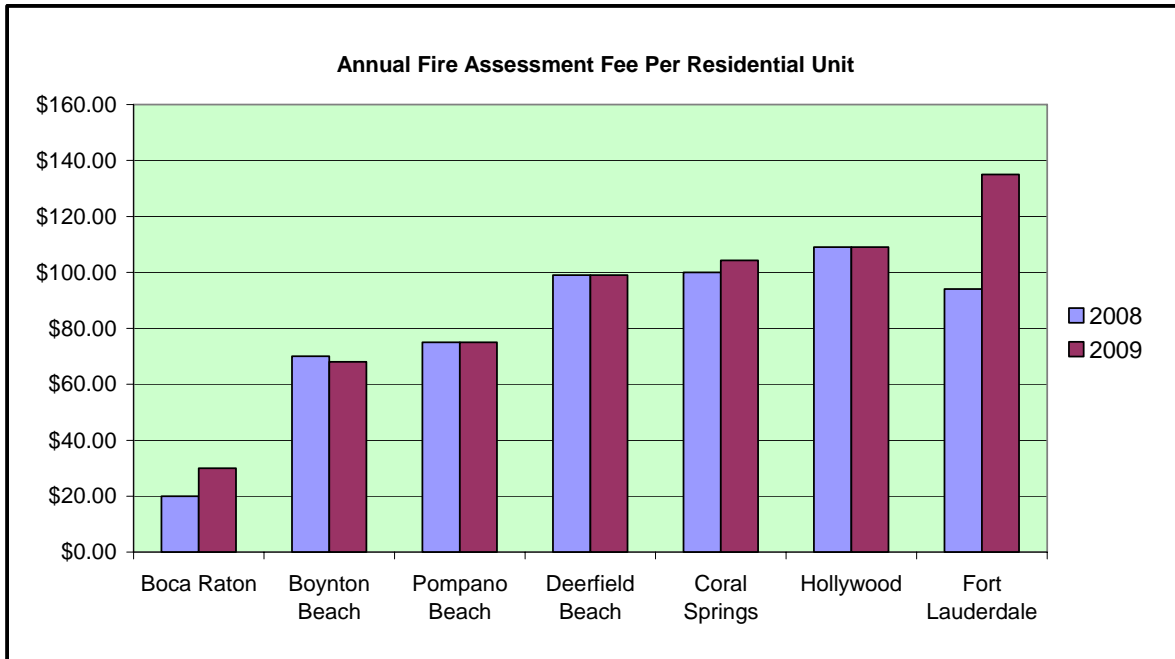
Building Permits, Inspections, and Other Development-Related Fees

The City continues to be consistent in collecting user fees related to inspections, development-related fees, and permit fees. These user fees are intended to cover the cost of the service provided. The revenue generated by the various types of building permits is calculated by determining the amount of undeveloped land, anticipating new development and redevelopment, as well as the historical trend for improving existing buildings. The FY 2009 budget estimates assume small growth in new construction and redevelopment.



FIRE ASSESSMENT FEE

In September 2006, the City Council established the annual Fire Services Assessment Fee. The Fire Services Assessment Fee uses the uniform method of collection to recover a portion of the operational costs of the City's fire protection services, including employee benefits. Medical and rescue service costs are not included in the fire assessment. The annual assessment for a residential charge is currently \$30 with an equivalent charge for commercial/industrial properties based on square feet. The current assessment generates \$2.4 million in revenue. This fee is currently only generating 14.8% of the cost of providing fire services in the City. Our fee is very low in comparison to other communities in our area.



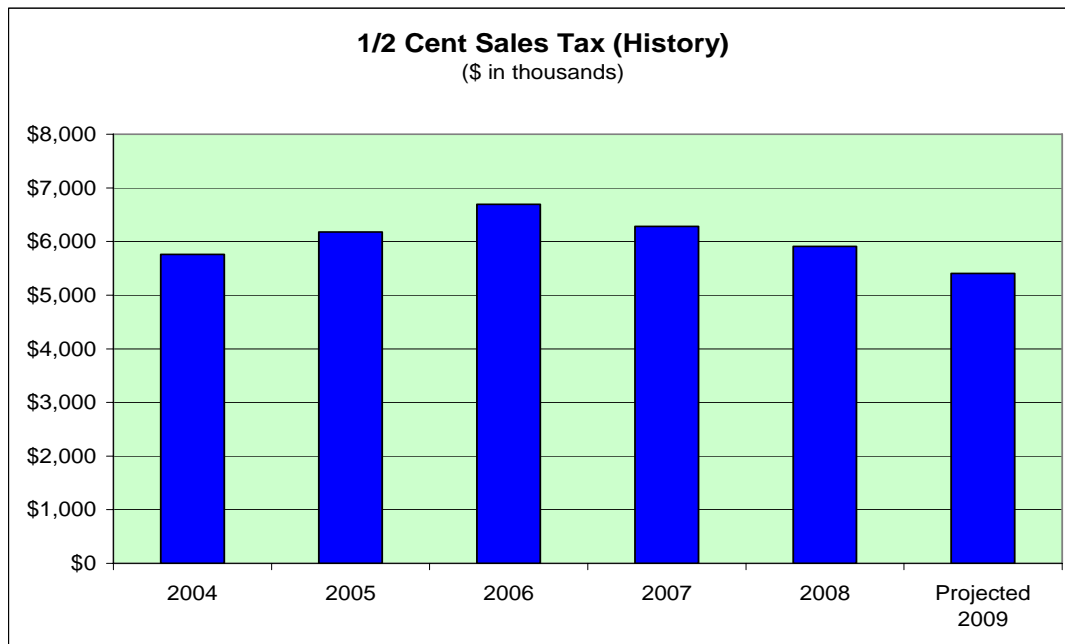
INTERGOVERNMENTAL REVENUE

State Shared

State shared revenues are anticipated to continue at declining levels. The City receives revenues from the State for the following services: sales tax, gas tax, beverage license and other state shared revenue services. With the current state economy, the City anticipates receiving less sales tax dollars and staying even on revenue sharing proceeds. Due to the current state economy there have been declines in the State Shared Revenues.

Sales Tax

The City receives the major source of State Shared Revenues from the half-cent sales tax. This tax is directly related to the economy. Recent trends in sales tax revenue have shown decreases. Forecast has been prepared at a 0% growth factor. Our revenue stream has been reduced over the last fiscal year:



The apportionment is composed of three equally weighted portions: population, sales tax collected in the municipality, and local ability to raise revenue.

The following are the distributions of sales tax for FY 09:

Total Half-Cent Sales Tax		
Palm Beach County	\$112,674,007	100%
Shared with Municipalities	46,280,271	36%
Unincorporated County	66,393,734	59%
City of Boca Raton's Share	5,406,409	5%

Source: State of Florida website: <http://fcn.state.fl.us/lcir>

Revenue Sharing/Trust Fund

The 2000 Florida Legislature repealed the sharing of cigarette tax revenues with municipalities via the Municipal Revenue Sharing Program and the Municipal Financial Assistant Trust Fund. It replaced the repealed revenue source with a new source by providing that 1.075 percent of sales and use tax collections be transferred to the Revenue Sharing Trust Fund for cities and towns. It repealed the Municipal Financial Assistance Trust Fund since it was funded solely by cigarette taxes. These changes were effective as of July 1, 2000. These revenues are distributed based on population. No growth is projected for Revenue Sharing.

Other State Shared Revenue

Beverage licenses, Mobile Home licenses, State grants, Firefighter Supplements and Fuel taxes make up the remainder of the State shared revenues.

Shared Revenues from Other Local Units

These revenues include charges to the Greater Boca Raton Beach and Park District for administrative services provided by the Recreation Services Department and City's general administration (Human Resources, Purchasing, Accounting and Payroll, etc.). Other small revenues include revenues from Palm Beach County for the E-911 System, and a processing fee for collecting Palm Beach County Impact fees.

CHARGES FOR SERVICES, OTHER FEES

Charges for Services

Charges for services include a combination of planning and zoning fees, recreation and cultural fees, emergency medical services (EMS) transport fees, and a large group of small miscellaneous and sporadic charges for services. The charging of these fees ensures that the user of the service pays for the service and not the broad base taxpayer.

Planning and Zoning Fees

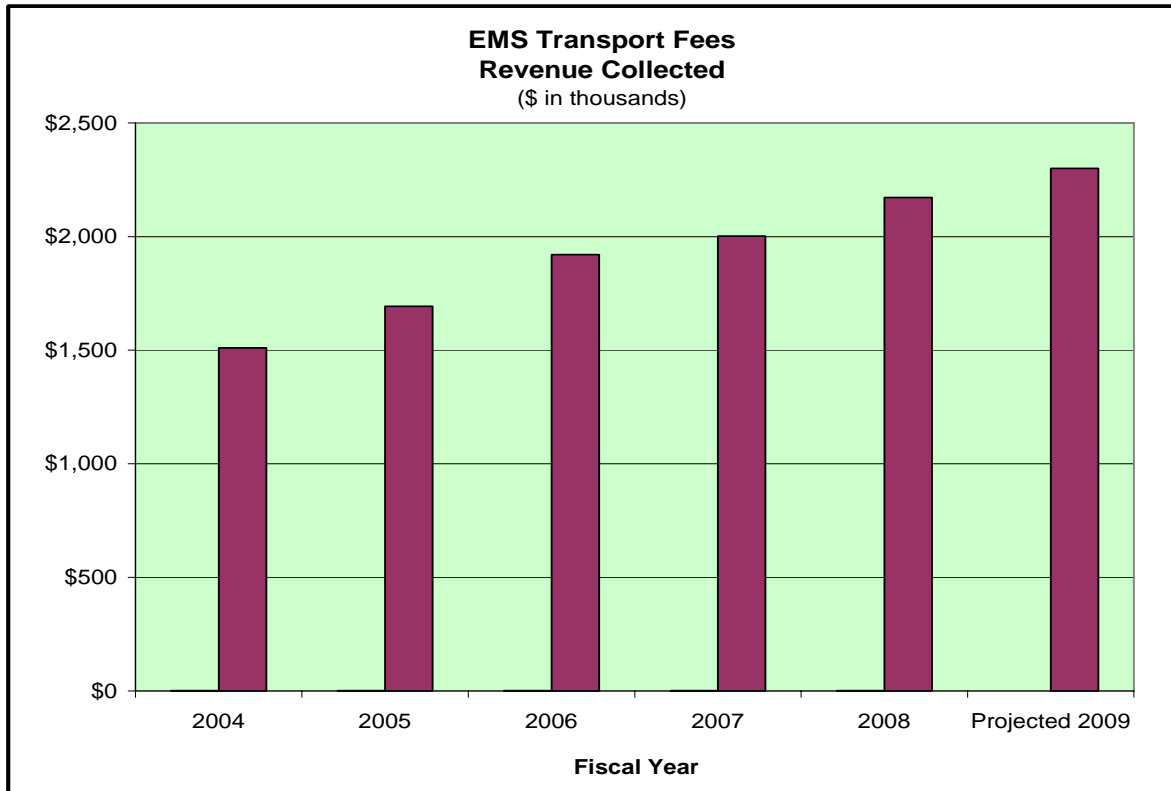
This category includes a combination of filing fees for planning and zoning including fees for advertising, etc.

Recreation and Cultural Fees

The Recreation Services Department continues to emphasize services and programs for all ages. Fees are designed to provide participants a reasonable cost but with the desire to cover a minimal percentage of costs. Fees for the camp program, beach parks, library, tennis, aquatics, and facility rental make up the greater portion of these fees. The fees related to the camp programs were increased in the current fiscal year.

Emergency Medical Services (EMS) Transport Fees

A recent history of the fee established in 1995, EMS Transport revenues collected is presented below: The City has recently stepped up efforts to collect all past due accounts. Growth is forecast at 2 percent. The City has increased its efforts to collect past due accounts and anticipates additional revenue growth.



Other Charges for Services

Other charges for services include charges for police, garbage fees for non-residential areas, and fees charged to other non-General Fund departments.

Contributions from Enterprise Funds

The City's General Fund provides administrative support services for the Enterprise Funds (water/sewer, sanitation, stormwater, cemetery, and golf courses). The cost for these services is charged to each Enterprise Fund in the form of an "Administrative Services" fee. The Water and Sewer Enterprise Fund is charged annually for the municipal services (police, fire and sanitation) that it receives while being tax exempt. These revenue sources make up 3.31% of the total 2009 budget.

Other Revenues

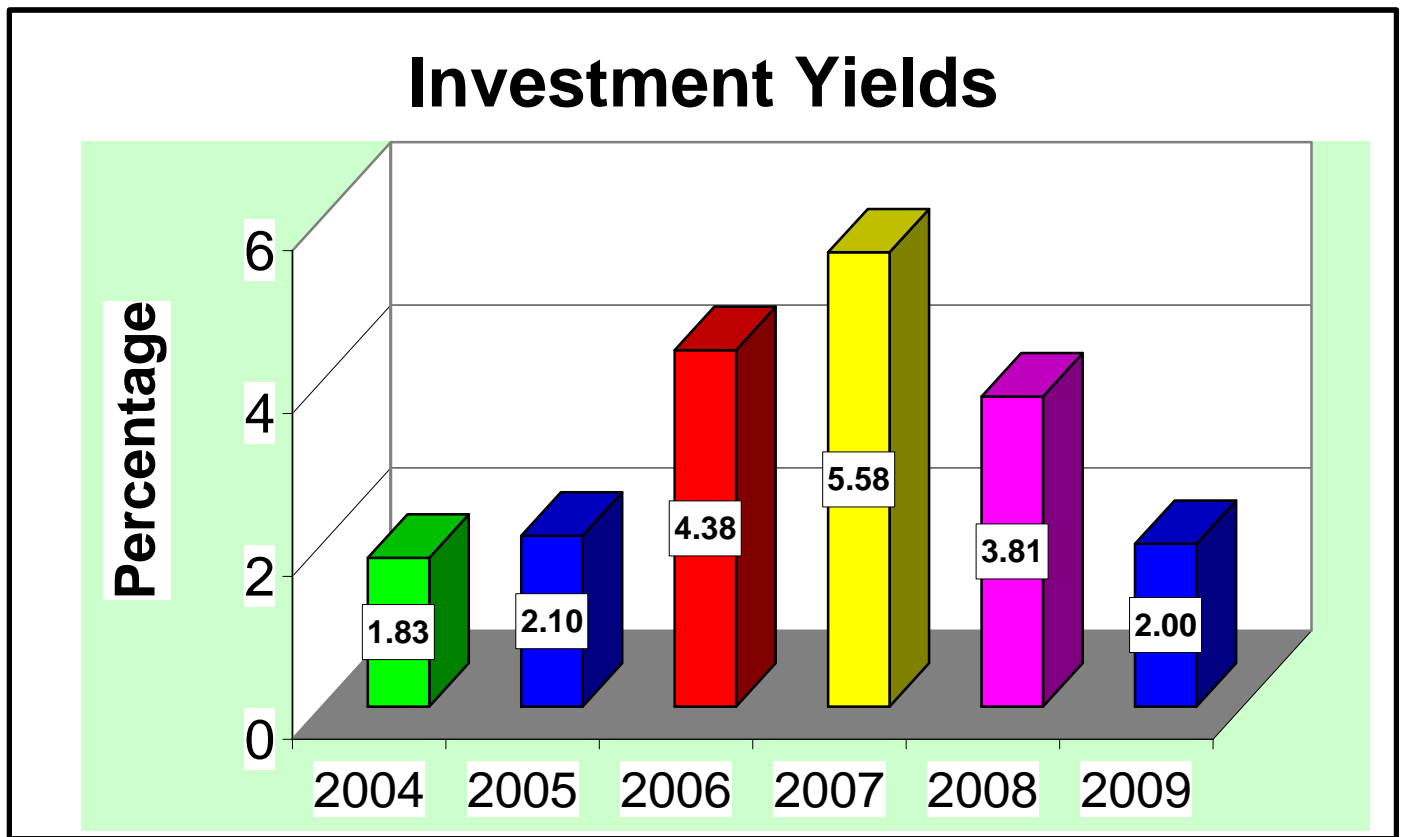
Other revenues include Shared Revenues from other local units, Federal grants, and small miscellaneous revenues (including surplus equipment, sales, and donations).

FINES AND FORFEITURES

These revenues are collected for traffic offenses and misdemeanors, police and fire false alarms, and confiscated merchandise (State/Federal). Revenue growth has fluctuated. False alarm fees are considered to be a user fee and accordingly revenue should match City costs to provide these services. Fines and forfeitures make up less than 1% of the 2009 budget.

INTEREST ON INVESTMENTS

The General Fund receives investment interest on temporarily idle funds and fund balances. The City's portfolio is actively managed under guidelines established under the City's conservative Investment Policy. The forecast is dependent upon interest rates indicators. Interest rates increased over the last fiscal year, but current economic conditions will result in reduced interest earnings for the City. Interest rates have been volatile and have decreased over the last fiscal year. The current economic conditions and financial markets will result in reduced interest earnings for the City for the next fiscal year.



NEW REVENUE SOURCES (already implemented)

Sanitation User Fees

The City provides twice a week curbside residential garbage collection for 23,486 residential and 20,287 multi family customers. Included in the service is recycling, bulk trash and trash collection.

Effective January 1, 2009, a user fee for sanitation was instituted where the single-family resident and the multi family pay approximately one third of costs of providing this service. The next fiscal year the user fee will be increased to cover two thirds of the costs.

NEW REVENUE SERVICES (not yet implemented)

Reimbursement of advances made for the BRCRA

The City has advanced substantial funds to the Boca Raton Community Redevelopment Agency (BRCRA) based upon interlocal agreements for unforeseen events which have occurred with respect to the redevelopment program. In the past there have not been sufficient revenues from the tax increment and Mizner Park leases to pay all of the Mizner Park debt service to maintain Mizner Park or for the BRCRA operations. To address these issues BRCRA and the City entered into two (2) interlocal agreements. Under the first of these interlocal agreements, the City funds the debt service deficiency. Under the second agreement the City provides the resources necessary to continue the BRCRA operation through a combination of operating transfers to the BRCRA, the provision of services (accounting, legal, engineering, etc.) and the maintenance of Mizner Park. As of September 30, 2008 the estimated amount of these transfers, deficiency payments and services was:

Transfers for BRCRA Operations	\$ 712,200
Services Provided	4,870,418
Mizner Park Maintenance	6,426,217
Interest related to the above	3,846,868
Mizner Park Bond deficiency payments and debt service transfers	<u>7,729,500</u>
Total	<u>\$23,585,203</u>

Under the terms of the interlocal agreements the BRCRA must repay the above amounts when future revenues become available. Funds are now available to start repaying the City. The Plan anticipates the BRCRA will commence repayment in FY 2010 with a payment of approximately \$2.5 million.

Paid Parking

The City is in the process of implementing a paid on-street parking program, primarily using the newest multi-space meter technology. The areas where the program will be implemented include on-street and off-street parking spaces in select downtown areas, as well as the off-street beach parking lots. In FY 09, the City has contracted with a consultant to perform a paid parking program study. Operations are expected to commence on October 1, 2009.

Annual projected net revenue to be generated from the parking program amounts to \$500,000 to \$750,000.

Red Light Cameras

Like many municipalities in South Florida, the City is in the process of implementing a red light camera program in which cameras will be installed at selected intersections within the City. Based on historical experiences in other municipalities in Florida and around the country, red light cameras have resulted in dramatically reduced fatalities, crashes, and violations due to the cameras proving to be an effective deterrent to red light running. In addition, the cameras allow more effective use of police resources.

Annual projected net revenue to be generated from the red light camera program amounts to approximately \$100,000 to \$200,000 per intersection.

RESOURCES FORWARD

Table VI

Calculation of Resources Forward
(\$ in thousands)

2009				2010			
Revenues	forecast	at 101%	variance	Revenues	forecast	at 101%	variance
Property taxes	\$47,939	\$48,418	\$479	Property taxes	\$44,150	\$44,591	\$441
Utility taxes	\$20,130	20,331	201	Utility taxes	\$22,063	22,283	221
Franchise fees	\$13,850	13,989	139	Franchise fees	\$14,127	14,268	141
Licenses and permits	\$9,410	9,504	94	Licenses and per	\$9,659	9,756	97
Intergovernmental	\$10,982	11,092	110	Intergovernment	\$10,325	10,429	103
Fees, charges, other	\$13,913	14,052	139	Fees, charges, ot	\$14,362	14,505	144
Fines	\$1,035	1,045	10	Fines	\$1,056	1,066	11
Interest	\$2,200	2,222	22	Interest	\$1,726	1,743	17
	<u>\$119,459</u>	<u>\$120,654</u>	<u>\$1,195</u>		<u>\$117,467</u>	<u>\$118,641</u>	<u>\$1,175</u>
Expenditures				Expenditures			
Personal services	81,614	80,390	1,224	Personal service:	86,742	85,441	1,301
Supplies and other	30,589	30,130	459	Supplies and othe	31,048	30,582	466
New projects				New projects	360	355	5
Capital	726	715	11	Capital	726	715	11
	<u>\$112,930</u>	<u>\$111,236</u>	<u>\$1,694</u>		<u>\$118,876</u>	<u>\$117,093</u>	<u>\$1,783</u>
Resources forward FY09 to FY 10			<u><u>\$2,889</u></u>	Resources forward FY10 to FY11			<u><u>\$2,958</u></u>
2011				2012			
Revenues	forecast	at 101%	variance	Revenues	forecast	at 101%	variance
Property taxes	41,899	42,318	419	Property taxes	41,899	42,318	419
Utility taxes	22,504	22,729	225	Utility taxes	22,954	23,183	230
Franchise fees	14,410	14,554	144	Franchise fees	14,698	14,845	147
Licenses and permits	9,945	10,045	99	Licenses and per	10,241	10,343	102
Intergovernmental	10,370	10,473	104	Intergovernment	10,415	10,519	104
Fees, charges, other	14,731	14,878	147	Fees, charges, ot	15,123	15,274	151
Fines	1,077	1,088	11	Fines	1,098	1,109	11
Interest	1,751	1,769	18	Interest	1,778	1,795	18
	<u>\$116,686</u>	<u>\$117,853</u>	<u>\$1,167</u>		<u>\$118,204</u>	<u>\$119,386</u>	<u>\$1,182</u>
Expenditures				Expenditures			
Personal services	92,196	90,813	1,383	Personal service:	97,998	96,528	1,470
Supplies and other	31,514	31,041	473	Supplies and othe	31,986	31,506	480
New projects	514	506	8	New projects	514	506	8
Capital	726	715	11	Capital	726	715	11
	<u>\$124,950</u>	<u>\$123,076</u>	<u>\$1,874</u>		<u>\$131,224</u>	<u>\$129,256</u>	<u>\$1,968</u>
Resources forward FY11 to FY 12			<u><u>\$3,041</u></u>	Resources forward FY12 to FY13			<u><u>\$3,150</u></u>

The FY 2010 *Resources Forward* forecast includes a 1% revenue over-collection component and a 1.5% under-expenditure component. This is primarily the result of projected revenues coming in slightly higher than projections in some of the more economically sensitive revenues. The direction by City management to departments is to continue to monitor their department expenditures for cost savings, which would result in the under-expending of their budgets. Under-expenditure projections are below historical average rates reflecting that recent budget cuts have diminished the ability to turn back budgeted appropriations in the future.

DISCUSSION OF EXPENDITURE RESULTS

This section presents forecast expenditure results and identifies significant cost changes expected to occur in the General Fund over the FY 2010 to FY 2013 forecasted period. An overall “bottom line” summary is presented first, followed by supplemental information for major expenditure categories.

For FY 2009, a balanced revenue and expenditure budget has been adopted by the City Council as required by Florida Statute. For the projected four-year period from 2010 through 2013, however, we continue to provide a baseline forecast, which illustrates our expectations for continuing existing service programs, which will be in place in 2009. In many cases, continuing costs will increase over time by an inflation factor even though the service level stays constant.

Expenditure Classifications

Expenditures have been broken down into three major classifications: personal services, supplies/other operating costs, and capital outlay. Additional discussion of selected expenditure category projections and changes expected to occur over the forecast period are provided in this section.

a. Personal Services

Personnel costs are by far the largest expenditure classification within the General Fund budget, representing 62.5% of the entire FY 2009 budget. Most of these costs are for full-time personnel, with the remainder being temporary help costs. All employee benefits, including social security, Medicare, pension, health and dental insurance, workers compensation, etc., are included in Personal Services.

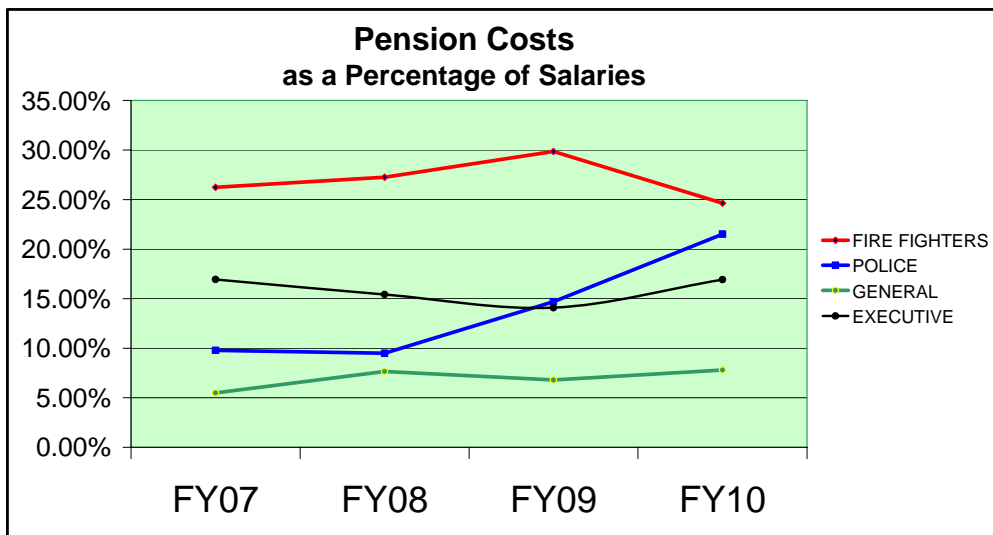
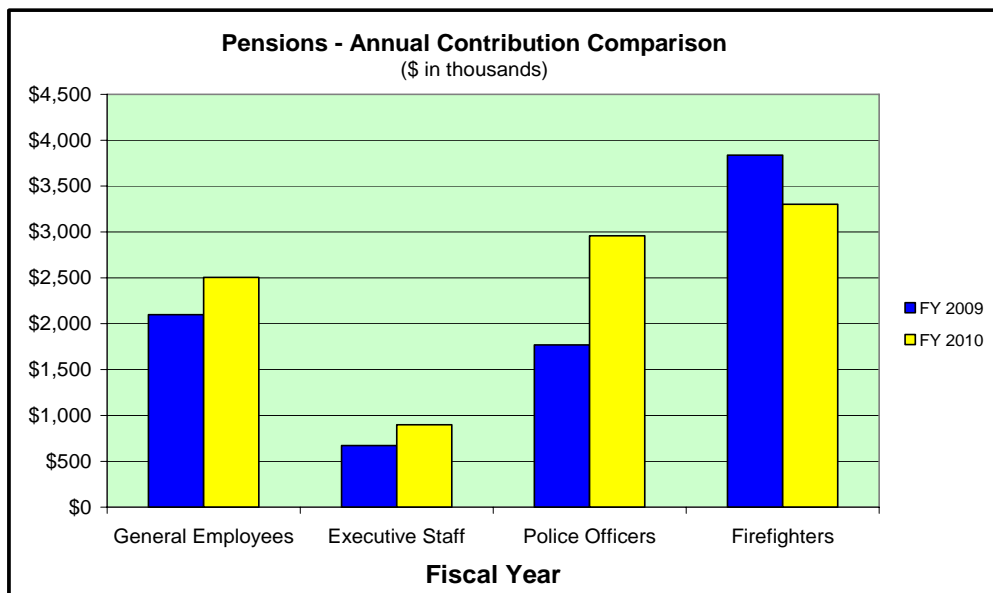
The City provides a fully insured medical plan for all employees. The City provides two HMO plan options, one POS and one PPO option. City medical plan costs continue to escalate, but have been under national percentage increases. In the current fiscal year, the City contributes \$5,400 annually for each employee. Employee contributions were increased in FY 2009.

Recent revisions to the labor contract between the City and IAFF required adjustments to base wages. The adjustment to wages was required to keep our salaries competitive with surrounding agencies.

General Employee new hires have a choice of entering into a reduced defined benefit or a defined contribution pension plan. The City anticipates in the long run this will stabilize the City’s pension contribution. Pension costs are sensitive to negative market conditions in addition to other accrual assumptions. Pension costs will increase \$1.3 million in FY 2010.

Table VII

Pension Contributions			
	<u>FY 09</u>	<u>FY 10</u>	<u>Increase (Decrease)</u>
General Employees:			
City contribution cost total	\$2,099,218	\$2,503,965	\$404,747
Percentage of salaries	8.37%	7.80%	
Executive Employees:			
City contribution cost total	672,076	899,928	227,852
Percentage of salaries	14.09%	16.92%	
Police Officers:			
City contribution cost total	1,768,322	2,958,586	1,190,264
Percentage of salaries	14.69%	21.52%	
Firefighters:			
City contribution cost total	3,837,102	3,300,858	(536,244)
Percentage of salaries	29.85%	24.64%	
Increased funding for FY10			\$1,286,619



Full-time personal service cost projections are based on the following assumptions:

- ii. Full-time personal services expenditures reflect only the percentage increase necessary to maintain current service levels. Future new programs will be handled through the annual new programs and are not part of this “baseline” plan. Projections after FY 10 are forecast at 8% for public safety employees and 5.5% for general employees.

b. Other Operating Costs/Supplies

Included in this category are operating supplies, and the non-personnel, non-capital support costs associated with General Fund operations. This category is the second largest classification of General Fund expenditures and includes utilities, insurance, information services, motor pool charges, maintenance, and contract services associated with General Fund operations. Growth is anticipated at 1.5 percent. Also included in this category are the operating supplies for general government. These include office supplies, fuel, uniforms, janitorial supplies, street and traffic signs, chemical, medical, and other supplies.

c. Capital Outlay

Included in this category are small capital purchases (over \$1,000 and less than \$35,000) which do not qualify for inclusion in the 6-year Capital Improvement Program Fund (CIP). Capital items are submitted annually in the departmental budget requests. These items vary from year-to-year, but total budget dollars have remained constant over the years.

d. Operating Impact of New Capital Improvement Projects

Certain projects contained in the City’s Capital Improvement Program will have a significant impact on the operating funds of the General Fund. The Plan includes the following two projects with their impact on operating funds:

Downtown Library	FY 10	\$360,000
Hillsboro El Rio Park	FY 11	\$154,200

Transfer to Other Funds

1. Non Ad Valorem Debt Transfers

Non ad valorem debt in this category includes any debt secured by revenues other than those paid from voter approved general obligation revenues. Funds for the public safety communication system non ad valorem debt service are included here. Final payment will be made in the current fiscal year. The City anticipates continuing debt service payments to replace the communication system and providing additional public safety equipment.

2. Right-of-Way Beautification Transfers
One percent of the City's Public Service Tax is dedicated to the Right-of-Way (ROW) Beautification Fund. Funding is received in the General Fund and transferred out to the ROW Beautification Fund.
3. Capital Improvement Program Transfers
One percent of the City's Public Service Tax is dedicated to the Capital Improvement Program (CIP) Fund. Funding is received in the General Fund and transferred out to the CIP Fund.
4. Sanitation Fund Transfers
Until the Sanitation Fund is self sufficient, transfers are needed to meet the expenses of the sanitation operation. The transfer will decrease in FY 2010 as the user fee is increased to provide two thirds, and eventually 100% of the costs.

Funding of the City Capital Improvement Program

Funding of the Capital Improvement Program (CIP) comes primarily from an allocation of property taxes collected. Currently this transfer is 15% of property taxes and produces 39% of the revenue in the CIP Fund. In FY 2009 budget year, the CIP Fund will receive \$8 million of property tax revenue. In the future, the property tax allocation to CIP fund may need to be reduced if operating revenues in the City's General Fund continue to decline which will significantly affect future funding of projects.

Water and Sewer Funds

The City operates its Water and Sewer System as an Enterprise Fund and funds the operations through user fees. The City's service area encompasses approximately 35 square miles and extends beyond the corporate City limits. There are approximately 33,500 accounts including both residential and commercial. Those customers outside the corporate City limits pay a surcharge of 25%.

The Water and Sewer Fund and related portions of the budget will include a Consumer Price Index (CPI) increase of 5.8% in rates. The increased cost of electricity and chemicals continue to have a significant impact on the Water and Sewer Enterprise Funds. FPL (Florida Power & Light) has been approved for an additional 16% increase in electric rates effective August 4, 2008. This FPL rate increase will increase the electric cost of the Water and Sewer Fund by \$800,000 annually. In order to ensure that the Water and Sewer Funds have sufficient funds to continue to operate in a sound fiscal manner, the approved budget includes an additional electric surcharge of 2% for FY 2009 to cover the FPL rate increase.

The gross water and sewer sales increased from \$37.3 million in 2007 to \$38.8 million in 2008. The Water and Sewer Fund had changes in net assets of \$1.3 million for FY 2008. Operating net income increased in 2008 by \$.4 million from 2007.

The following section highlights selected information from recent audited financial reports:

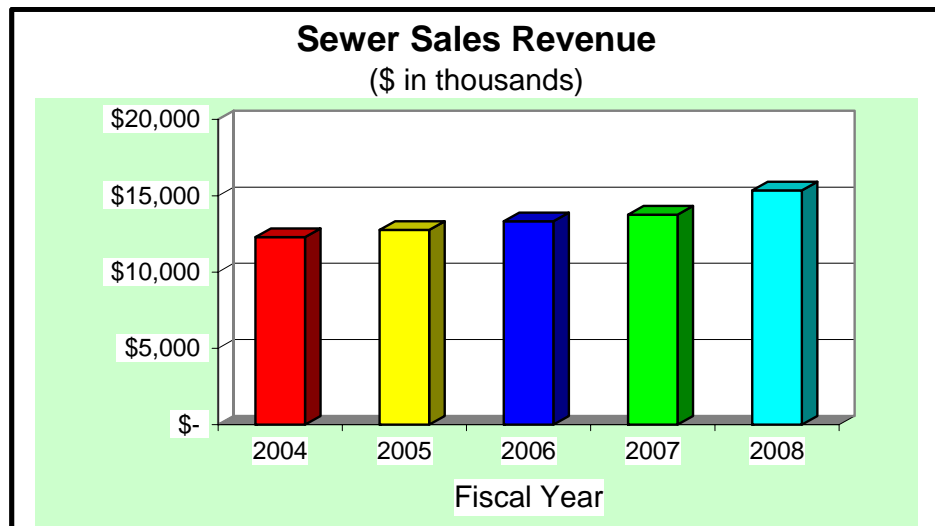
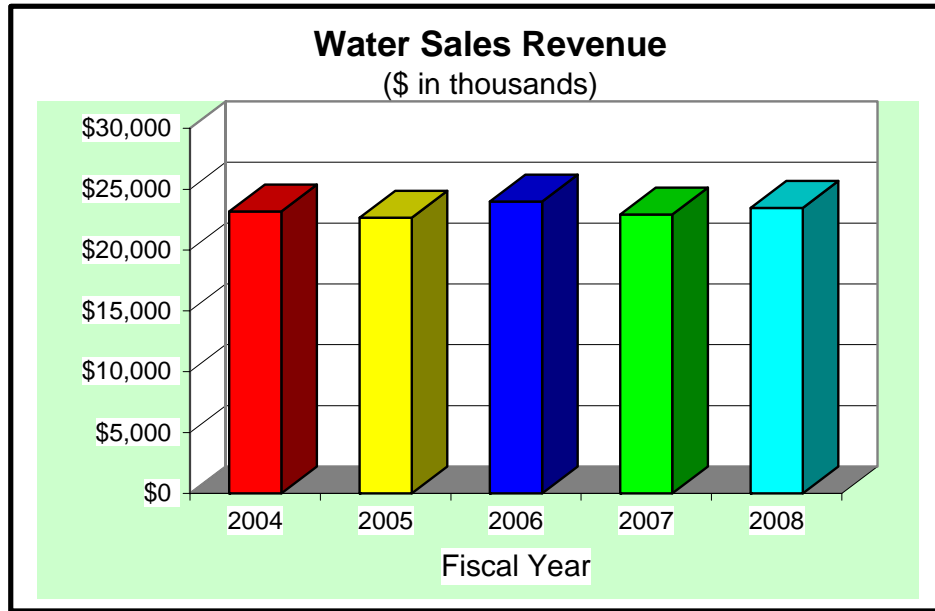


Table VIII

Water and Sewer Segment Information	FY 2005	FY 2006	FY 2007	FY 2008
Operating revenue	\$ 38,788,912	\$ 39,846,639	\$ 39,061,933	\$ 41,098,538
Net operating income	3,084,444	368,769	(2,820,125)	(2,421,428)
Net income (change in net assets)	10,357,926	7,504,942	3,863,658	1,339,007
Net working capital	18,134,093	15,567,426	12,031,304	14,710,775
Bonds and other long-term liab payable from operating revenue, net	37,426,567	35,612,936	33,710,427	55,862,232
Total equity	241,986,269	249,491,211	297,933,720	321,407,159

Source: City of Boca Raton Comprehensive Annual Financial Report

In March 2009, the City issued \$8,485,000 Water and Sewer Revenue Refunding Bonds, Series 2009 to refund a portion of the 1999 Water and Sewer Revenue Improvement Bonds. With this recent bond issue, all three rating agencies reviewed the City's financial and other information. The City received an AAA rating from Fitch Ratings and Standard & Poor's on the issue. The other credit rating agency, Moody's Investor Services maintained aa1. The City pledged to maintain debt coverage ratios of 1.1 by net revenue and 1.20 by total revenue (where operating revenue exceeds operating expense). As demonstrated by Table IX below, the coverage has exceeded the minimum requirements.

Table IX

Water and Sewer Fund (Historical)					
(in thousands)					
	2004	2005	2006	2007	2008
REVENUE					
Water Sales	\$ 23,248	\$ 22,666	\$ 23,982	\$ 22,922	\$ 23,466
Sewer Service Charges	12,333	12,755	13,232	13,764	15,344
Installation Charges	102	195	122	100	112
Other Operating Revenues	1,526	3,173	2,510	2,276	2,176
Interest Income	1,192	922	1,754	2,972	2,506
Gross Revenues	\$ 38,401	\$ 39,711	\$ 41,600	\$ 42,034	\$ 43,604
OPERATING EXPENSES					
Administration Expenses	\$ 9,600	\$ 10,261	\$ 9,744	\$ 10,131	\$ 10,171
Water System	\$ 12,622	\$ 13,360	\$ 15,030	\$ 16,222	\$ 15,333
Sewer System	\$ 4,192	\$ 5,044	\$ 5,801	\$ 6,567	\$ 8,101
Total Operating Expenses	\$ 26,414	\$ 28,665	\$ 30,575	\$ 32,920	\$ 33,605
Net Revenues Available for Debt Service	\$ 11,987	\$ 11,046	\$ 11,025	\$ 9,114	\$ 9,999
Allowable system development charges	\$ 1,892	\$ 2,598	\$ 1,398	\$ 1,557	\$ 1,557
Total Revenue Available for Debt Service	\$ 13,879	\$ 13,644	\$ 12,423	\$ 10,671	\$ 11,556
Debt Service	\$ 8,159	\$ 8,180	\$ 3,562	\$ 3,564	\$ 3,972
By net revenues	1.47	1.35	3.10	2.56	2.52
By total revenues	1.70	1.67	3.49	2.99	2.91
Source: City of Boca Raton Utility Service Department and City of Boca Raton Financial Services Department					

It is assumed that water and sewer revenues will not be affected by growth, and that an across-the-board increase equal to the Consumer Price Index (CPI) for the year ended the previous June 1, will be applied to the rate each October 1. A history of CPI rate increases is itemized below:

Rate change effective October

2008	5.8%
2007	2.7%
2006	4.3%
2005	2.5%
2004	3.3%

The increased costs of chemicals and electricity continue to have a significant impact on this fund. An additional 2% electric surcharge was instituted on October 1, 2008 to cover a recent rate increase from FPL. The fund should be financially stable over the life of the Plan. The refunding of the 1999 Water and Sewer Revenue Bonds will provide additional funds for the future.

Largest Customers

The City bills an average of approximately 1.1 billion gallons per month, which is distributed across all customer classes and users. Customer billing records for 2008 (January 1 to December 31) indicate the top ten water users, their consumption for this period, and relative percent of total consumption were as follows:

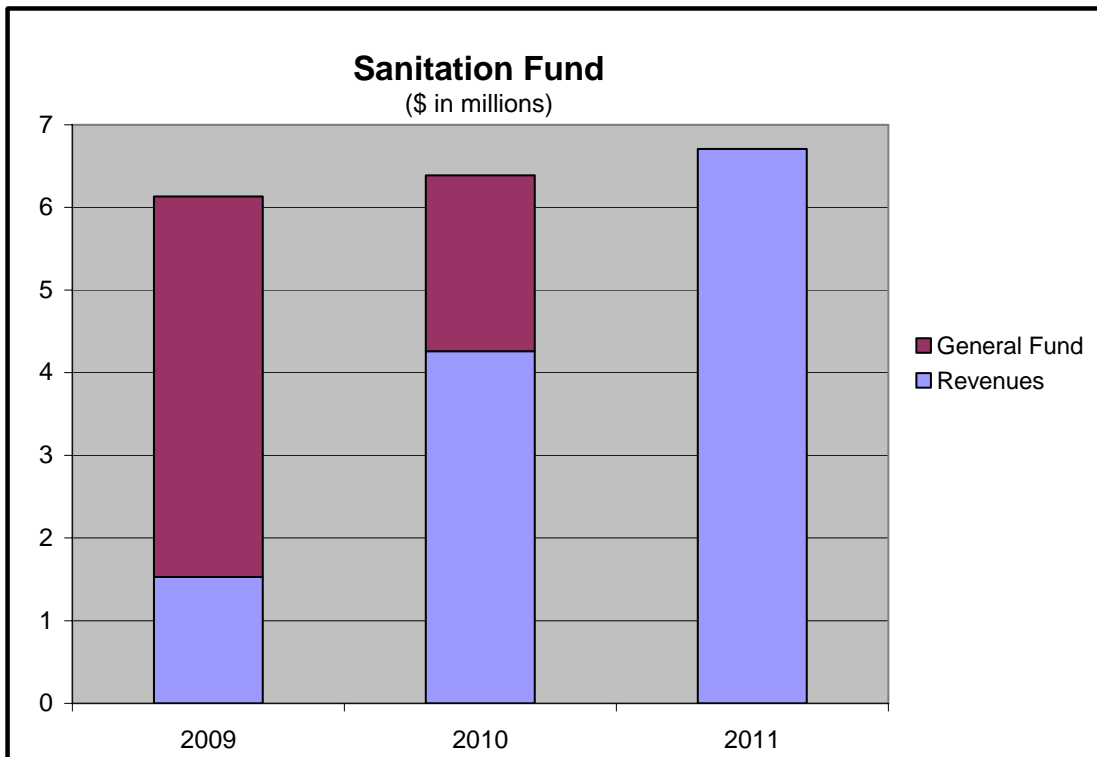
<u>CUSTOMER</u>	<u>USAGE (gallons)*</u>	<u>Percent of Total</u>
City of Boca Raton	427,563	3.95%
Florida Atlantic University	151,388	1.40%
Investments Limited	140,936	1.30%
Boca Raton Resort and Club	109,408	1.01%
Boca Teeca Condo	51,453	0.48%
Boca Raton Community Hospital	49,341	0.46%
Sea Ranch Club of Boca	49,633	0.46%
T R San Marco Corporation	43,513	0.40%
Spanish Oaks Condo Association	40,890	0.38%
School Board Palm Beach	32,754	0.30%
* Excludes Reclaimed Usage		

Recommendation

Building reserves and minimizing the future impact on rate increases will lessen the need for a long-term financing. Annual CPI adjustments will need to be continued. The City should consider the long-term aspect of permanent restrictions relating to drought conditions and restrictions on water usage. The City may need to consider a drought surcharge during mandatory drought restrictions that limit water usage.

Sanitation Fund

Effective October 1, 2009, the City established a Sanitation Enterprise Fund to account for the collection and disposal of solid waste, vegetation, and recyclable material for City residents including quarterly bulk trash collection. During the current fiscal year, the City anticipates collecting approximately 68 million lbs. of garbage, 16 million lbs. of recyclables, and 19 million lbs. of vegetation. Effective January 1, 2009, a user fee for sanitation services was instituted where the single family resident and the multi-family resident pay approximately one third of the anticipated costs of providing this service. During the fiscal year commencing October 1, 2009, the City anticipates collecting a user fee equal to two thirds of the costs of providing these services. The following graph details the projected revenue and expense ratio over the current fiscal year and the next two fiscal years.



Recommendation

Continue to increase user fee to cover costs of operations for Sanitation services.

Transportation Fund

The Transportation Fund is a special revenue fund established to account for the local option gas tax. Gas tax is restricted for roadway program expenditures. The funds are used to fund capital road projects and repay debt service on transportation bonds issued for major capital programs.

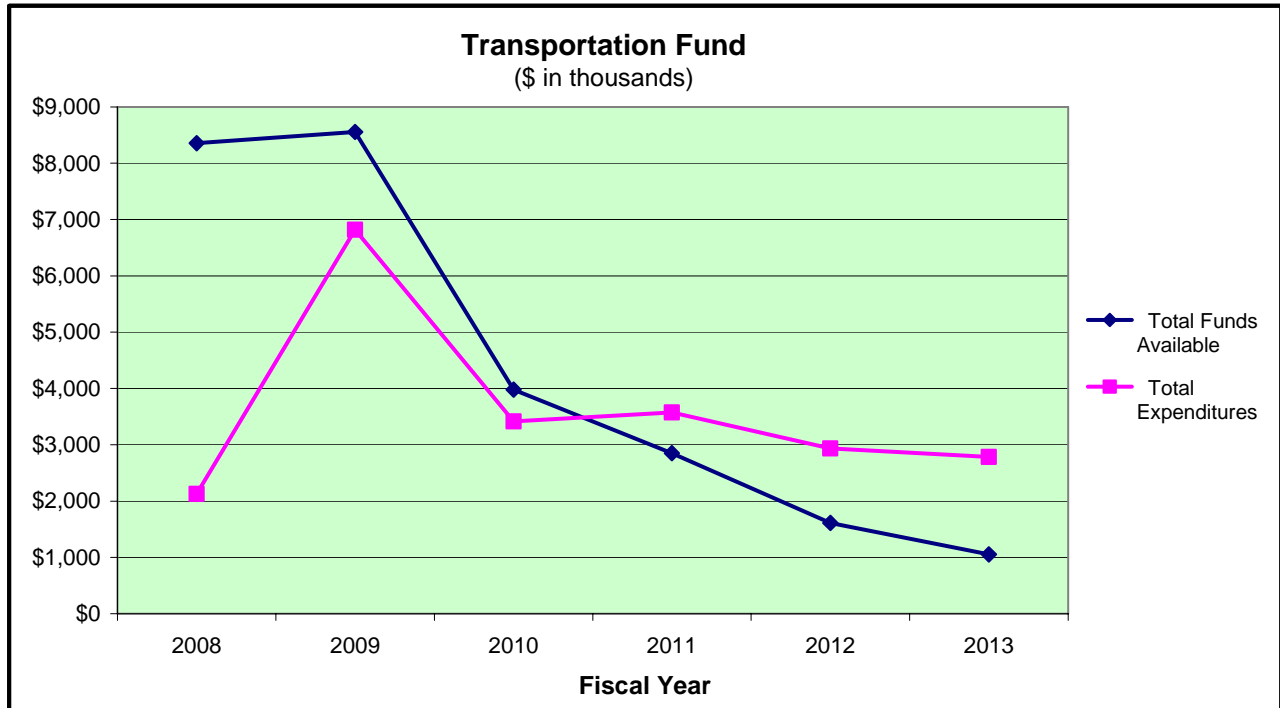


Table X

Transportation Fund						
Long-Range Financial Plan						
(\$ in thousands)						
	<u>Actual</u> 2008	<u>Budget</u> 2009	<u>2010</u>	<u>Projected</u> 2011	<u>2012</u>	<u>2013</u>
Revenues (Sources)						
Local Option Gas Tax	\$2,074	\$2,127	\$2,170	\$2,213	\$2,257	\$2,302
Interest	236	200	70	72	75	78
sub total	2,310	2,327	2,239	2,285	2,332	2,381
Beginning Reserves	6,046	6,229	1,738	565	(722)	(1,327)
Total Funds Available	8,356	8,556	3,977	2,850	1,610	1,054
Expenditures (Uses)						
Capital projects	1,693	6,384	2,980	3,573	2,937	2,785
debt service	433	434	433	-	-	-
Total Expenditures	2,127	6,818	3,412	3,573	2,937	2,785
Available for future years	\$6,229	\$1,738	\$565	(\$722)	(\$1,327)	(\$1,731)

Revenues

Palm Beach County, under Florida Statute 326.025, levies a six (6) cent and a five (5) cent Local Option Gas Tax. Eligible municipalities in the County, by Interlocal Agreements, receive a distribution based on the following:

	<u>County %</u>	<u>Municipalities %</u>
Six (6) cent tax	66-2/3	33-1/3
Five (5) cent tax	79	21

The following formula is used to distribute to the eligible municipalities:

$$\text{Local Distribution} = 30\% \times \frac{(\text{City Population})}{(\text{Sum of Population})} + 70\% \times \frac{(\text{City Lane Miles})}{(\text{Sum of Lane Miles})}$$

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$2,074,282
2007	2,181,083
2006	2,215,516
2005	2,298,753
2004	2,201,398

The Transportation Fund will fund significant traffic calming projects, Transportation Demand Management Implementation, bike paths, sidewalk links to public schools, and on-going program of improvements to the public street system over the next several years. The current bond issue will be paid off July 1, 2010.

Recommendation

In lieu of economic conditions relating to highway construction materials, project costs have significantly increased. Existing funds may no longer be sufficient to complete capital projects as scheduled. Since funds are limited, careful consideration must be given toward additional capital projects.

ROW Beautification Fund

The Right-of-Way Beautification Fund is a special revenue fund established to account for a public service (utility) tax levied specifically for the Comprehensive Median Beautification Program established in 1984. Revenues include a 1% utility tax, interest earnings on fund balances, and private donations.

Expenditures include personnel services, operating expenses, supplies, and operating capital outlays associated with maintaining the City's medians. Currently, there are 18 employees responsible for maintaining the City's 175.4 miles, or 184 acres of medians.

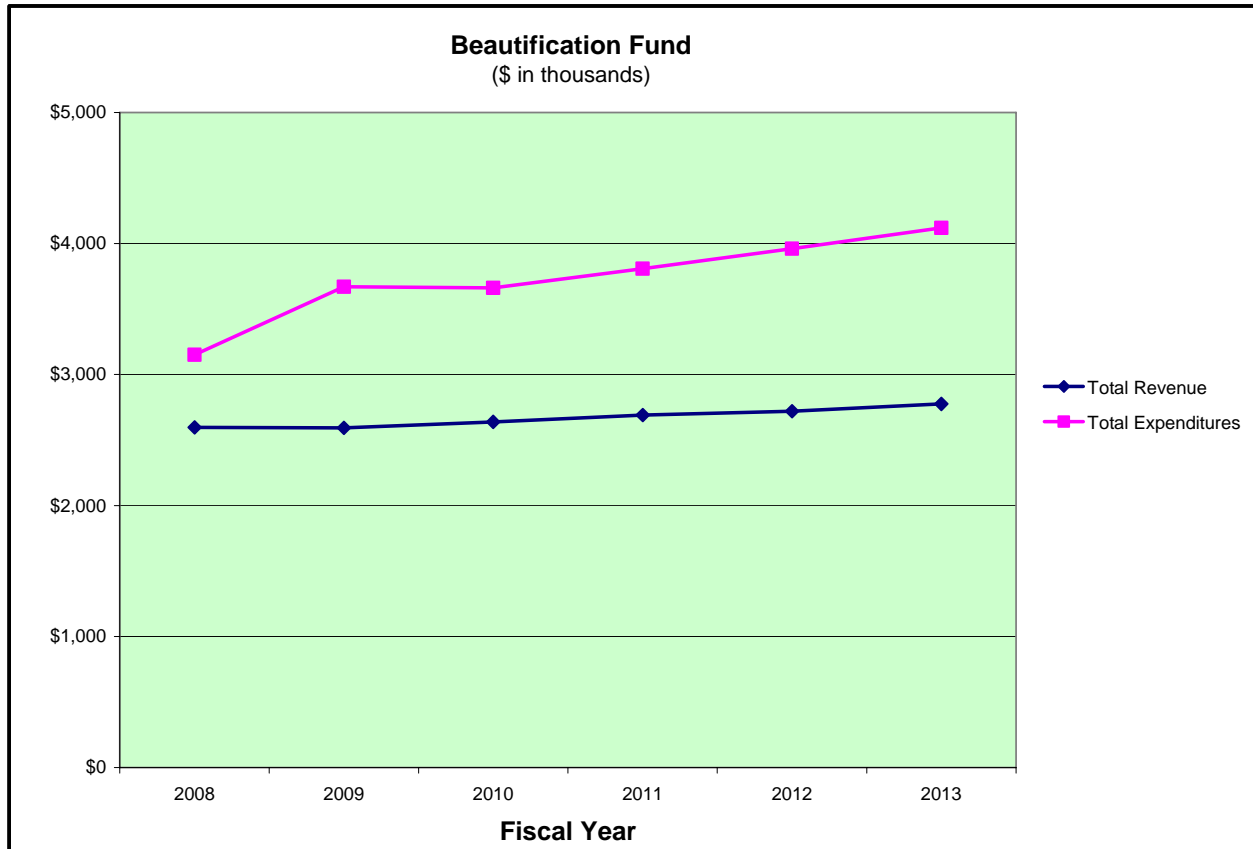


Table XI

Right-of-Way Beautification Funds						
Long Range Financial Plan						
(\$ in thousands)						
	<u>Actual</u>	<u>Budget</u>		<u>Projected</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenue (Sources)						
One percent utility tax	\$2,381	\$2,340	\$2,410	\$2,483	\$2,557	\$2,634
Interest	151	153	125	100	50	25
Other (includes donations)	64	100	104	108	112	117
Sub Total	2,596	2,593	2,639	2,691	2,719	2,776
Beginning Reserves	4,297	3,742	2,666	1,643	525	(716)
Total Funds Available	6,893	6,335	5,305	4,334	3,245	2,060
Expenditures (Uses)						
Operating	3,151	3,669	3,662	3,808	3,961	4,119
Total Expenditures	3,151	3,669	3,662	3,808	3,961	4,119
Available for future years	\$3,742	\$2,666	\$1,643	\$525	(\$716)	(\$2,059)

Revenues

One (1) percent of the utility tax is levied for right-of-way purposes. In keeping with our forecast, a 3% growth rate is used. Interest earnings are forecast using the available reserve balance. The fund receives donations from developers to used for beautification funding in the City. This has averaged over \$250,000 annually over the last few years.

Expenditures

Operating expenditures have been forecast using the same projections stated previously in the plan.

Recommendation

The Right-of-Way Beautification Fund is an area where **careful consideration** has to be given toward additional projects. Funds are limited and new projects have a direct impact upon capital and operational expenses. Funds will not be available in the next year Plan. An additional funding source will need to be identified. The fund is projected to spend more funds by a 1/3 to 2/3 ratio than receipts from the (1) percent utility tax levied for the fund.

Stormwater Utility Fund

In June 1994, the City instituted a Stormwater Utility Fee to fund the design, construction, inspection, and maintenance of the City's separate stormwater system in accordance with the Environmental Protection Agency National Pollutant Discharge Elimination System (NPDES) permit. Forty-five percent (45%) of these fees will be used for maintaining existing drainage systems while the remaining 55 percent (55%) will be used for drainage improvement projects.

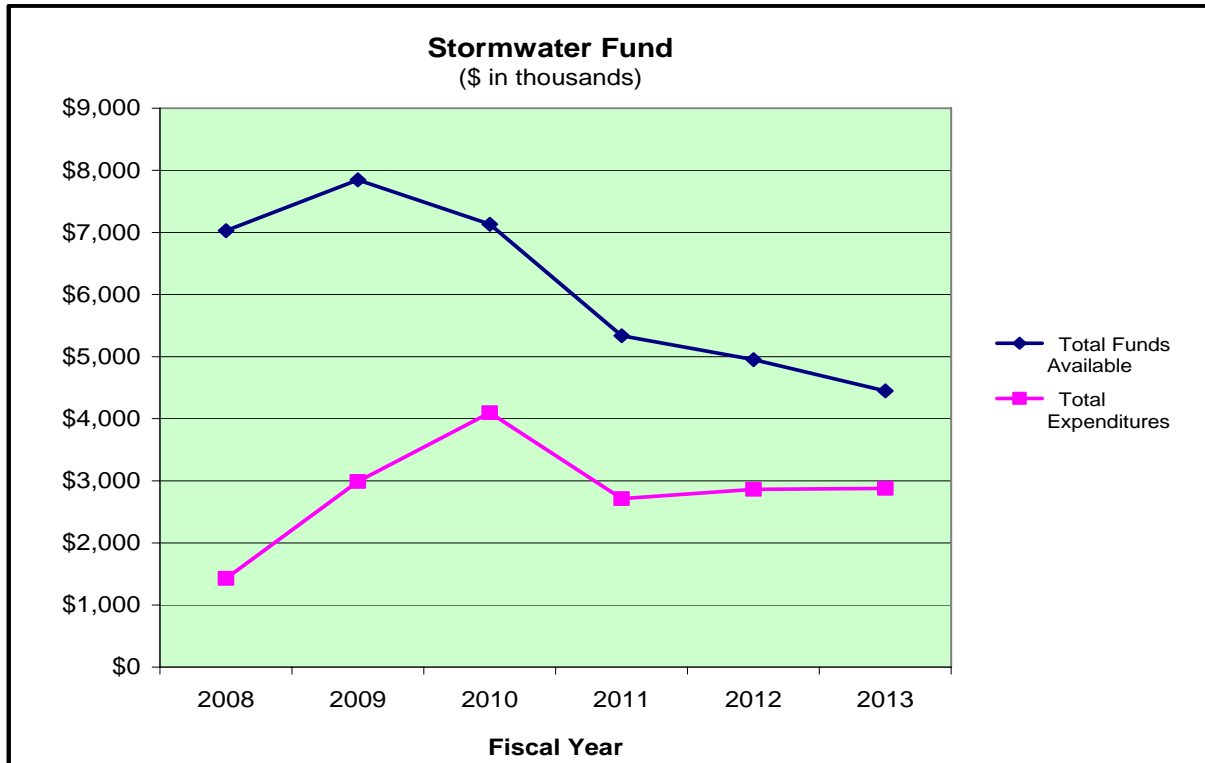


Table XII
Stormwater Fund
Long-Range Financial Plan
(\$ in thousands)

	<u>Actual</u> <u>2008</u>	<u>Budget</u> <u>2009</u>	<u>2010</u>	<u>Projected</u>		
				<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues (Sources)						
Stormwater fees	\$2,118	\$2,070	\$2,091	\$2,112	\$2,133	\$2,154
Other	11	-				5
Interest	213	178	183	189	195	200
sub total	2,342	2,248	2,274	2,300	2,327	2,359
Beginning Unrestricted	4,686	5,600	4,859	3,037	2,626	2,089
Total Funds Available	7,028	7,848	7,133	5,338	4,953	4,448
Expenditures (Uses)						
Operating	1,024	1,380	1,421	1,522	1,598	1,678
Capital projects	404	1,609	2,675	1,190	1,267	1,200
Total Expenditures	1,428	2,989	4,096	2,712	2,865	2,878
Ending Unrestricted	\$5,600	\$4,859	\$3,037	\$2,626	\$2,089	\$1,570

Revenue

The Stormwater Utility Fee is collected through a separate line item on City water bills. The fee schedule is as follows:

Residential Properties \$2.90 per unit
Non-Residential Properties:
 (Square Feet of Impervious Area) / 2,837 = Number of ERU's
 (Number of ERU's) x \$2.90 = Monthly Fee

<u>Stormwater Utility Fee</u>	
<u>Fiscal Year</u>	<u>Collections (In thousands)</u>
2008	\$2,118
2007	2,070
2006	2,105
2005	2,077
2004	2,018

Revenue for the forecast period is projected at one percent (1%) growth rate.

Expenses

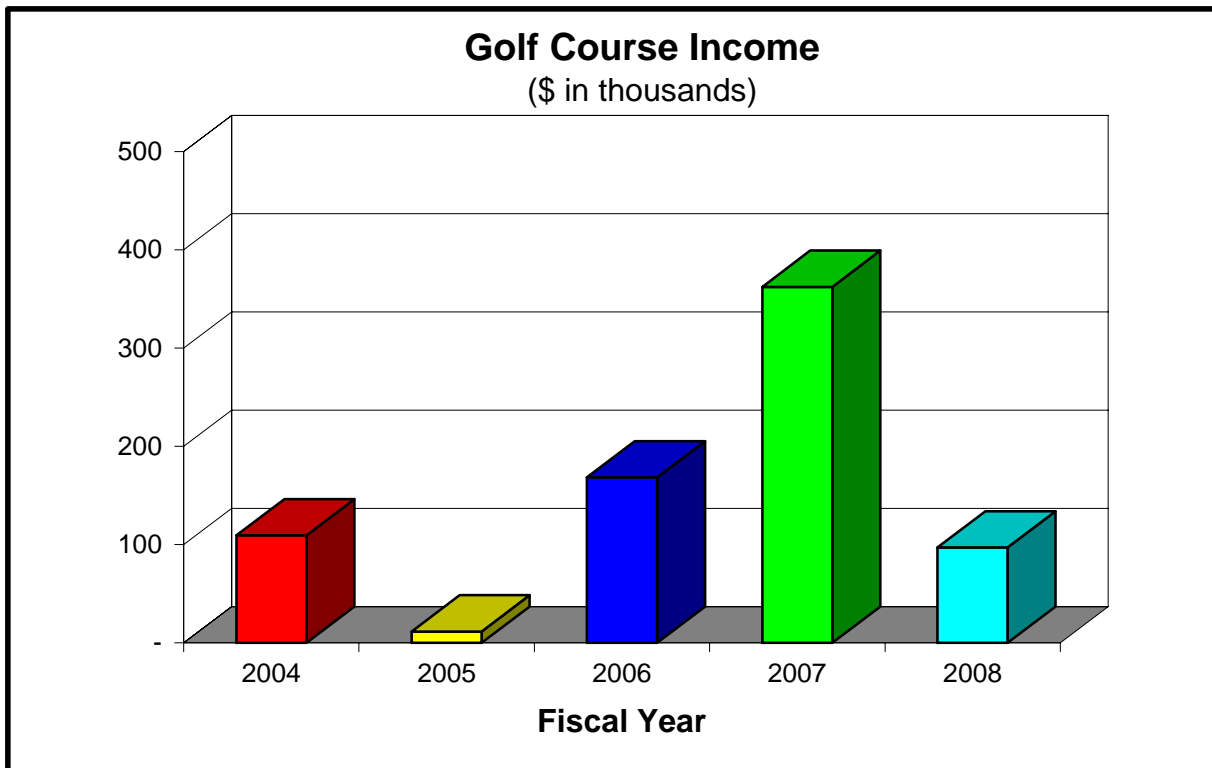
Capital expenses are detailed by projects in the CIP and funded from this fund. Maintenance expenses have been projected using the current budget with projections using forecasts established in this Plan.

Recommendation

The Stormwater Fund will continue to provide funding for stormwater projects in the future.

Golf Course Fund

The City operates three golf courses, Municipal, Executive, and the Red Reef Course as one enterprise fund. Golf Course operating revenues decreased 1.70% over the prior year. All courses saw increased rounds of play during FY 2008. The Golf Course Fund reported an operating income before transfers of \$97,158 in 2008. The graph below illustrates the turn-around of the golf operation after the hurricanes.



The Renewal and Replacement Fund was established in 1996. The \$1.00 user fee for each round of golf played brought in \$184,436 in the last fiscal year. Expenditures are forecast using the same growth as previously stated in this Plan.

Capital projects are forecast using the Capital Improvements Program. Renovation of the tees, greens and bunkers on the Municipal Course are projected to cost \$1.9 million. The City anticipates issuing revenue bonds to fund these projects in FY 2010. A major club house renovation is scheduled in FY 2012. This project will be financed with revenue bonds.

With all existing bond debt and inter fund advances being extinguished, the fund will be prepared to provide adequate bond coverage to fund debt service on the two renovation projects in FY 2010.

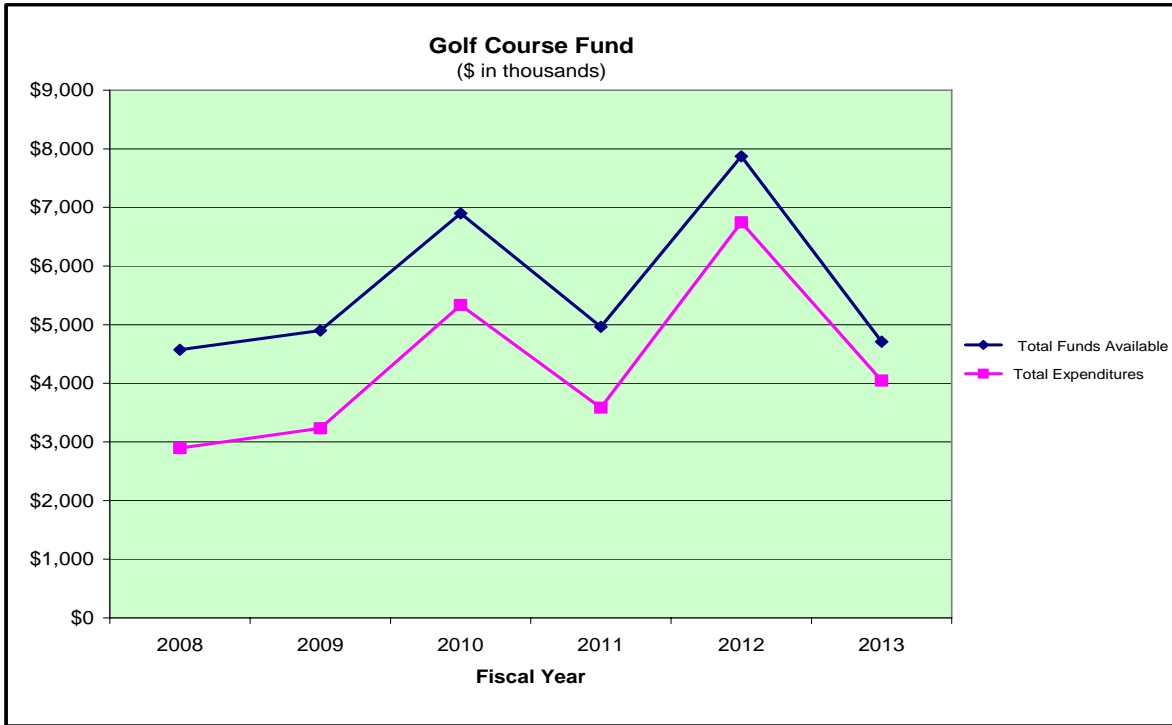


Table XIII

Golf Course Fund
Long-Range Financial Plan
(\$ in thousands)

	<u>Actual</u> <u>2008</u>	<u>Budget</u> <u>2009</u>	<u>2010</u>	<u>Projected</u>		
				<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues (Sources)						
Glades Courses	\$1,992	\$2,084	\$2,147	\$2,211	\$2,277	\$2,346
Red Reef Course	380	390	402	414	426	439
Interest	77	63	64	66	67	68
Other	280	296	303	310	317	324
Revenue Bond Issue			1,920	-	3,000	
Renewal and Replacement Fee	181	192	196	200	204	208
Beach & Park District	180	200	200	200	200	200
sub total	3,090	3,225	5,231	3,400	6,491	3,584
Unrestricted Net Assets	1,481	1,676	1,668	1,566	1,380	1,126
Total Funds Available	4,571	4,901	6,899	4,965	7,871	4,710
Expenditures (Uses)						
Personal Services	1,682	1,751	1,821	1,893	1,969	2,048
Supplies and other	1,083	1,187	1,217	1,247	1,278	1,310
Renewal and Replacement	129	241	376	244	198	238
Capital projects	-	56	1,920	-	3,000	-
Transfers/Debt Service	-	-	-	200	300	450
Total Expenditures	2,894	3,234	5,333	3,585	6,745	4,046
Unrestricted Net Assets	\$1,676	\$1,668	\$1,566	\$1,380	\$1,126	\$664

Cemetery/Mausoleum Operating Fund and Perpetual Care Funds

In 1994, City staff prepared a detailed report on cemetery/mausoleum operations and perpetual care. From this report, several recommendations on cemetery operations were implemented:

- Cost of a cemetery plot was increased to \$1,000 (current price for an adult plot is \$1,440).
- A perpetual care fee of \$600 (current charge is \$870) per cemetery plot was established to accumulate enough revenue to allow interest on these revenues to fund future operations of the cemetery.
- Other sales and service fee increases were made.
- All fees including the perpetual care fee, plot fees, and other fees will be increased annually using an inflation index.
- Interest rate projection of 5.5% was used on investment balances.

	Actual 2008			Budget 2009		
	<i>Mausoleum</i>	<i>Cemetery</i>	<i>Combined</i>	<i>Mausoleum</i>	<i>Cemetery</i>	<i>Combined</i>
Operating Revenue	\$76,720	\$172,302	\$249,022	\$69,000	\$145,200	\$214,200
Operating Expense	243,507	274,283	\$517,790	314,200	292,300	606,500
Depreciation/Capital Expenditure	62,940	12,387	75,327	38,500	5,200	43,700
	290,711	286,670	593,117	352,700	297,500	650,200
(Loss) before Transfer	(213,991)	(114,368)	(344,095)	(283,700)	(152,300)	(436,000)
Transfer from Perpetual Care	293,700	135,700	429,400	329,600	157,500	487,100
Gain/(Loss) for year	79,709	21,332	85,305	\$45,900	\$5,200	\$51,100

On mausoleum operations, the following changes were made:

- The current contract with the Boca Raton Mausoleum was amended to increase the mausoleum commissions received by the City from 15% to 16.5% of gross revenues. The mausoleum also took over the sale of cemetery plots and implemented a marketing program similar to the one used to promote mausoleum sales.

Even with an increase in the price of cemetery plots, the fund continued to experience a net loss in the operating fund of \$344,095 before a transfer in of \$429,400 (cemetery \$135,700 / mausoleum \$293,700) from the perpetual trust fund in FY 2008. In 2008, 84 lots were sold; an increase of 30 lots from the prior year. The City has a policy of only selling lots to City residents. Mausoleum sales do not have this restriction but still failed to meet the projection. Also, the Mausoleum Corporation is no longer the only company offering services in our area. These variables, as well as the cost of mausoleum building maintenance, may cause perpetual care reserves to be depleted earlier than anticipated. This may have an impact on the General Fund in the future.

The cemetery and mausoleum continue to face new competition in the City and surrounding areas. With the nationwide trend of reduced burials and more cremations, lot sales are not seen increasing in the future.

The reserve balances need to be sufficient to produce interest revenue to fund operations and capital improvements when revenues decrease because of sellout of the cemetery and mausoleum.

At the end of September 30, 2008 the balances in the Perpetual Care Funds were:

Cemetery	\$2,249,145
Mausoleum	<u>3,791,247</u>
Total	<u>\$6,040,392</u>

Recommendation

As Plans have stated in the past, the City needs to develop new revenues and expense projections and look at ways to reduce annual operating costs. The City needs to review possible modifications to existing cemetery policy to allow purchases by non-City residents at a premium cost. Other new revenues need to be considered.