

## The City of Boca Raton Long-Range Financial Plan

The City develops a long-range financial plan to assist management in the planning and allocation of resources to achieve the City Council goals of maintaining a financially secure city government.

The City updates its long-range financial plan each year after the completion of the annual financial audit and prior to the adoption of the annual budget. Therefore, the amounts shown in the long-range financial plan for 2010 are shown as projections and do not agree with the budgeted amounts reflected in the other sections of this document.

### GENERAL FUND

#### 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 2012. 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 impact of additional recreation parks in FY 2009 and a new downtown library in FY 2010 have been included in this Plan.

This Plan provides us with an opportunity to change or influence 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.

**Table I**  
**Long-Range Financial Plan**  
**General Fund**  
*(in thousands)*

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

Boca Raton has enjoyed financial growth over recent years. Two recent annexations have proved financially beneficial with more revenues received than being expended. The City is attracting new businesses and commercial development is expanding. The commercial real estate vacancy rate is in the single digits. Property values in Boca Raton have reached over \$20.4 billion dollars and property tax rates are one of the lowest in the State of Florida, for cities of comparable size.

***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 triple A rating for General Obligation Bonds of the City.

Standard & Poor's, in announcing their affirmation, stated "the upgrade reflects the continuing substantial growth in local economic base, as well as the City's consistently strong financial performance." Other rating factors reflect the City's:

- Wealth and income levels, with per capita income levels at more than 216% of the state's and nation's averages combined with low unemployment
- Low tax rates with tremendous tax rate flexibility, and
- Low debt burden with a manageable capital improvement program
- Participation in West Palm Beach-Boca Raton MSA

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 January 2008 the Water and Sewer finances were reviewed with the issuance of the 2008 Water and Sewer Revenue and Refunding Bonds. Standard & Poor's upgraded the credit rating from AA+ to AAA. Fitch Ratings reaffirmed the AAA on the issue while Moody's Investor Services maintained the aa<sup>1</sup>. 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.

#### **Maintenance of Current Mix and Level of Services**

The decline of property values in FY 2009 combined with the recent approval of Amendment 1 to the Florida Constitution will result in limited resources to the City over the life of this Plan. Reserves built up by the City may be used to offset this shortfall. The Plan assumes property assessments will decrease by 7% in the FY 2009 proposed budget. The Plan also assumes \$2.3 million of

assessment value will be removed from doubling the homestead exemption related to Amendment 1.

In future years, the Plan anticipates that current assessments to grow at a 2.5% rate over the time span of the Plan. This will not provide the mix and level of services identified in the 2008 adopted budget. Operating costs for any major new park facilities have been included in the Plan. Other new programs will need to provide a revenue stream to meet their financial obligations.

#### **Revenue and Expenditure Growth**

The Plan projects expenditure growth rate will not match revenues. 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 two recent General Obligation Bond Issues for library facilities and fire station projects are nearing completion. The new Spanish River Library opened in early 2008. Land acquisition for the new downtown library is complete and an architect is completing the design of the downtown library. Only Fire Station No. 5 is remaining to be renovated and this will be completed in FY 2009.

#### **Adjustments to Property Tax Millage**

The City decreased the ad valorem millage rate by 7.88% to meet State mandated reductions in property taxed used to fund the FY 2008 General Fund budget.

For tax year 2007-2008, the County Property Appraiser certified the City's taxable assessed value for operations amount of \$20.4 billion. This is an increase of \$583,751,897 in the City's tax base over last year. Of this increase, \$198,408,370 represented new construction and \$385,343,527 related to re-assessments. The City has the highest assessed valuation of any municipality in Palm Beach County and the lowest property tax millage.

## **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 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 has accumulated a strong fund balance. However in the current fiscal year, several capital projects including the renovation of Fire State No. 5 a portion of the construction of a new Downtown Library and other capital projects are being funded with a transfer of \$9.5 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. This was done without cutting or curtailing programs or the need to borrow funds to maintain operations pending receipt of recovery funds from federal and state agencies.

### **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. This would include instituting a fee for the collection of garbage. 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 remitted back to the City by the County.

The City performs substantial administrative services for the Greater Boca Raton Beach and Park District. These services include hiring personnel, paying employees, paying bills, procuring all materials/services and other services. The City should be reimbursed for providing these services.

### **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 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 twelfth 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 2008 through 2012. 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 over the next five 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.

**Table II**  
**Long-Range Financial Plan**  
**General Operating Fund History**  
*(in thousands)*

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Average Growth</u>
<b>Revenues</b>						
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%
<b>Total Revenues</b>	<b>\$ 89,031</b>	<b>\$ 105,346</b>	<b>\$ 136,514</b>	<b>\$ 128,197</b>	<b>\$ 129,371</b>	<b>9.6%</b>
<b>Expenditures</b>						
Personal services (Exp)	\$ 60,427	\$ 64,940	72,749	76,360	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%
<b>Total Expenditures</b>	<b>\$ 93,551</b>	<b>\$ 97,181</b>	<b>\$ 126,326</b>	<b>\$ 116,215</b>	<b>\$ 129,346</b>	<b>9.5%</b>
Annual Balance	\$ (4,520)	\$ 8,165	\$ 10,188	\$ 11,982	\$ 25	
Cummulative Balance	\$ 20,305	\$ 28,470	\$ 38,658	\$ 50,640	\$ 50,665	

Over the forecast range, General Fund revenues (Table III) are projected to increase at an average annual rate of 1.0% to 5.0%. The Plan is a “baseline” model; thus, the Plan does not include the addition of any new revenues during the forecast period.

**Table III**  
**Long-Range Financial Plan**  
**Four-Year Forecast Growth Rates**

REVENUES		EXPENDITURES	
Major Revenue Classifications and Categories	Forecast 4 Year Average	Major Expenditure Classifications	Forecast 4 Year Average
<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 &amp; 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%		

**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.

**Revenues**

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

	Percentage <u>County</u>	Percentage <u>Municipalities</u>
Six-cent	66 2/3	33 1/3
Five-cent	79	21

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

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

FY 2005	FY 2006	FY 2007	FY 2008
\$2,298,753	\$2,215,516	\$2,181,083	\$2,074,282

**Summary**

In light 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.

**Table IV**  
**Long-Range Financial Plan**  
**Transportation Fund**  
*(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>
<b>Revenues (Sources)</b>						
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)
<b>Total Funds Available</b>	<b>8,356</b>	<b>8,556</b>	<b>3,977</b>	<b>2,850</b>	<b>1,610</b>	<b>1,054</b>
<b>Expenditures (Uses)</b>						
Capital projects	1,693	6,384	2,980	3,573	2,937	2,785
debt service	433	434	433	-	-	-
<b>Total Expenditures</b>	<b>2,127</b>	<b>6,818</b>	<b>3,412</b>	<b>3,573</b>	<b>2,937</b>	<b>2,785</b>
<b>Available for future years</b>	<b>\$6,229</b>	<b>\$1,738</b>	<b>\$565</b>	<b>(\$722)</b>	<b>(\$1,327)</b>	<b>(\$1,731)</b>

**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.

**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 be 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.

**Summary**

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 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.

**Table V**  
**Long-Range Financial Plan**  
**Right-of-Way Beautification Fund**  
*(in thousands)*

	<u>Actual</u> <u>2008</u>	<u>Budget</u> <u>2009</u>	<u>2010</u>	<u>Projected</u>		<u>2013</u>
				<u>2011</u>	<u>2012</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)

**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 fifty-five percent (55%) will be used for drainage improvement projects.

**Revenue**

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

<u>Residential Properties:</u>	\$2.90 per unit
<u>Non-Residential Properties:</u>	
Square Feet of Impervious Area / 2,837 = Number of ERU’s	
Number of ERU’s x \$2.90 = Monthly Fee	

<b>Collections (in thousands)</b>				
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Stormwater Utility Fee	\$2,077	\$2,105	\$2,070	\$2,118

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.

**Summary**

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

**Table VI**  
**Long-Range Financial Plan**  
**Stormwater Fund**  
*(in thousands)*

	<u>Actual 2008</u>	<u>Budget 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

## 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 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 2010.

**Table VII**  
**Long-Range Financial Plan**  
**Golf Course Fund**  
*(in thousands)*

	<u>Actual</u> <u>2008</u>	<u>Budget</u> <u>2009</u>	<u>2010</u>	<u>Projected</u>		<u>2013</u>
				<u>2011</u>	<u>2012</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

**WATER AND SEWER FUND**

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.

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).

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.

**Table VIII**

**Long-Range Financial Plan  
Water & Sewer Fund History  
(in thousands)**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>REVENUE</b>					
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
<b>Gross Revenues</b>	<b>\$ 38,401</b>	<b>\$ 39,711</b>	<b>\$ 41,600</b>	<b>\$ 42,034</b>	<b>\$ 43,604</b>
<b>OPERATING EXPENSES</b>					
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
<b>Total Operating Expenses</b>	<b>\$ 26,414</b>	<b>\$ 28,665</b>	<b>\$ 30,575</b>	<b>\$ 32,920</b>	<b>\$ 33,605</b>
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
<b>Total Revenue Available for Debt Service</b>	<b>\$ 13,879</b>	<b>\$ 13,644</b>	<b>\$ 12,423</b>	<b>\$ 10,671</b>	<b>\$ 11,556</b>
<b>Debt Service</b>	<b>\$ 8,159</b>	<b>\$ 8,180</b>	<b>\$ 3,562</b>	<b>\$ 3,564</b>	<b>\$ 3,972</b>
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

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.

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### **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.