

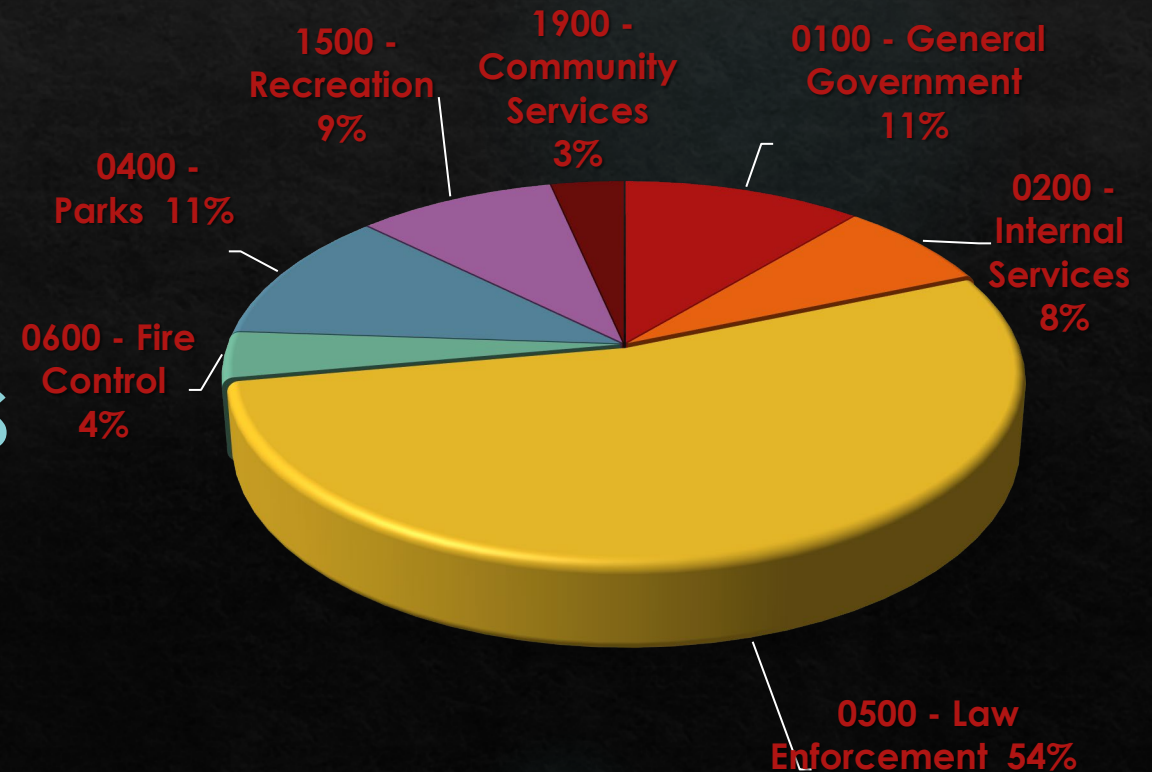
City of Gulf Breeze

JULY 19TH

PRELIMINARY BUDGET

WORKSHOP #1

GENERAL GOVERNMENT FUNDS



Today's Agenda

- Budget Process
- Financial Policies and Guidelines for Budget Development
- Factors Affecting the City's Current Financial Condition and Prognosis for the Future
- Fiscal Year 2021 Year End Review
- Fiscal Year 2022 Revenue-to-Date Highlights
- Fiscal Year 2022 Considerations



Budget Workshop Schedules

July 19

- General Fund Budget Highlights
- Preliminary Millage Approval
- Capital Improvement Plan

August 2

- Non-General Fund Highlights

August 16

- Special Funds and Other Revenues

Sept 8

- Budget First Reading


Sept 20

Budget 2nd Reading



Who Are We?

- ▶ 3 square mile peninsula city with a 30+ square mile utility customer service area.
- ▶ 6,000 city residents and 32,150 customers in 2021.
- ▶ Providing utility services to 15% of Santa Rosa County outside city limits, as well as Pensacola Beach in Escambia County.
- ▶ Nationally recognized as a “best place to live” for retirees and families.
- ▶ A sister city to Pensacola, and the “front porch” to Pensacola Beach.

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- ▶ Council-Manager form of government
 - ▶ 10 Departments, 144 City Employees (100 Full Time)
 - ▶ 8 volunteer boards and committees
 - ▶ 22% growth rate in last 10 years in noncity service area.
 - ▶ Virtually no growth in last 10 years inside city due to build out.
 - ▶ Regional services/diverse revenues maintains city affordable cost of living with high quality of life.



Spending Plan: Services provided by the City are based on available revenues (funds) from all sources as approved in our annual budget.

- ▶ Gulf Breeze has received the Government Finance Officers Association (GFOA) Distinguished Budget Award for its FY19 presentation for the 18th consecutive budget award.
- ▶ City web pages provide links to full line item detail reports in addition to helpful summaries.
- ▶ Printed copies of the proposed budget will be available.
- ▶ The Ten Year Capital Improvement Plan is posted to the City webpage and will be printed and available to the public.

A Structurally Balanced Budget

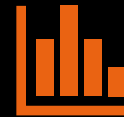


Build and Maintain Adequate Reserves

City Policy: 6 months operating budget for all funds held in cash reserves.

City Policy: Recurring revenues for recurring expenses.

Goal: Increase to include enterprise funds 3-5 Months unencumbered Cash Flow



Long-Range Financial Operating Plans

Employee Compensation Study

Administrative Cost Allocations

Asset Management System

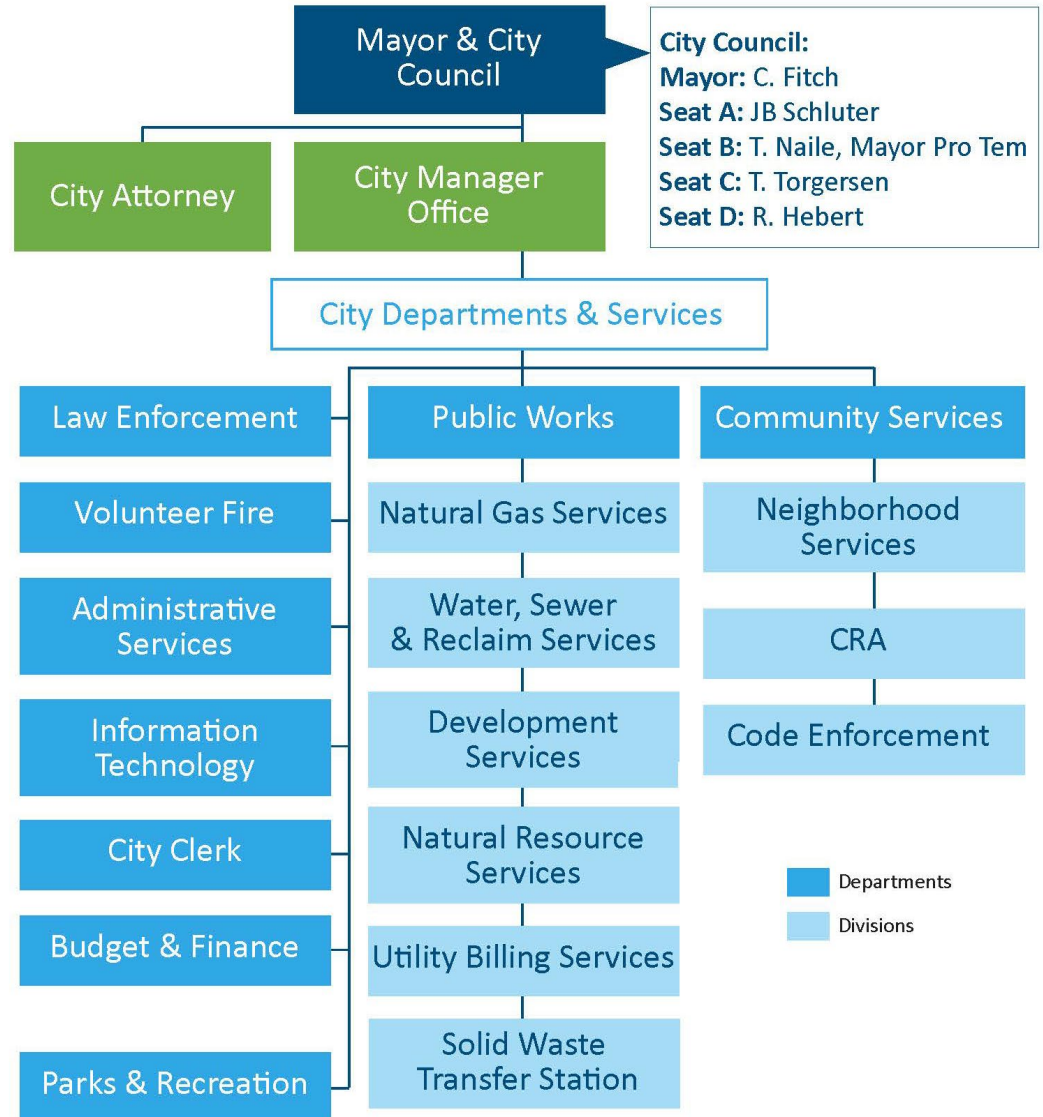
Capital Planning



Staff for the Minimum

Staff for the minimum and use contracted services to meet peak demands.

ORGANIZATIONAL CHART





Focus of the Budget Process

- ▶ Alignment to City Council's Mission
- ▶ Review of Business Practices
- ▶ Enhancing Customer Service
- ▶ Financial Sustainability
- ▶ Engaging Stakeholders

Financial Policies and Guidelines

- ▶ Provide the best service possible of general governmental services funded from current resources
- ▶ Maintain General Fund balance (reserve) at a level of 6 months of all operating funds
- ▶ Provide employees with pay and benefits competitive with the market and region
- ▶ Maximize cost recovery through fees for municipal services, consistent with City Council direction
- ▶ Prioritize neighborhoods. Seek the best level of service in the most efficient manner
- ▶ Fund ongoing expenses with recurring revenues
- ▶ Budget with the knowledge that diversified revenues are best; over reliance on any one revenue source is economically volatile

How Is the Budget Organized?

- ▶ **General Fund** – general government
- ▶ **Enterprise Funds** – internal “businesses” supported by ratepayers
- ▶ **Debt Service Funds** – restricted to payment of debt service
- ▶ **Internal Service Fund** – provides services to all City departments and bills the various funds for services rendered
- ▶ **Special Revenue Fund** – specific revenue stream restricted for a specific use
- ▶ **Trust Funds** – restricted to a specific purpose
- ▶ **Economic Uncertainty Reserve** - for use in emergency, restricted for specific uses

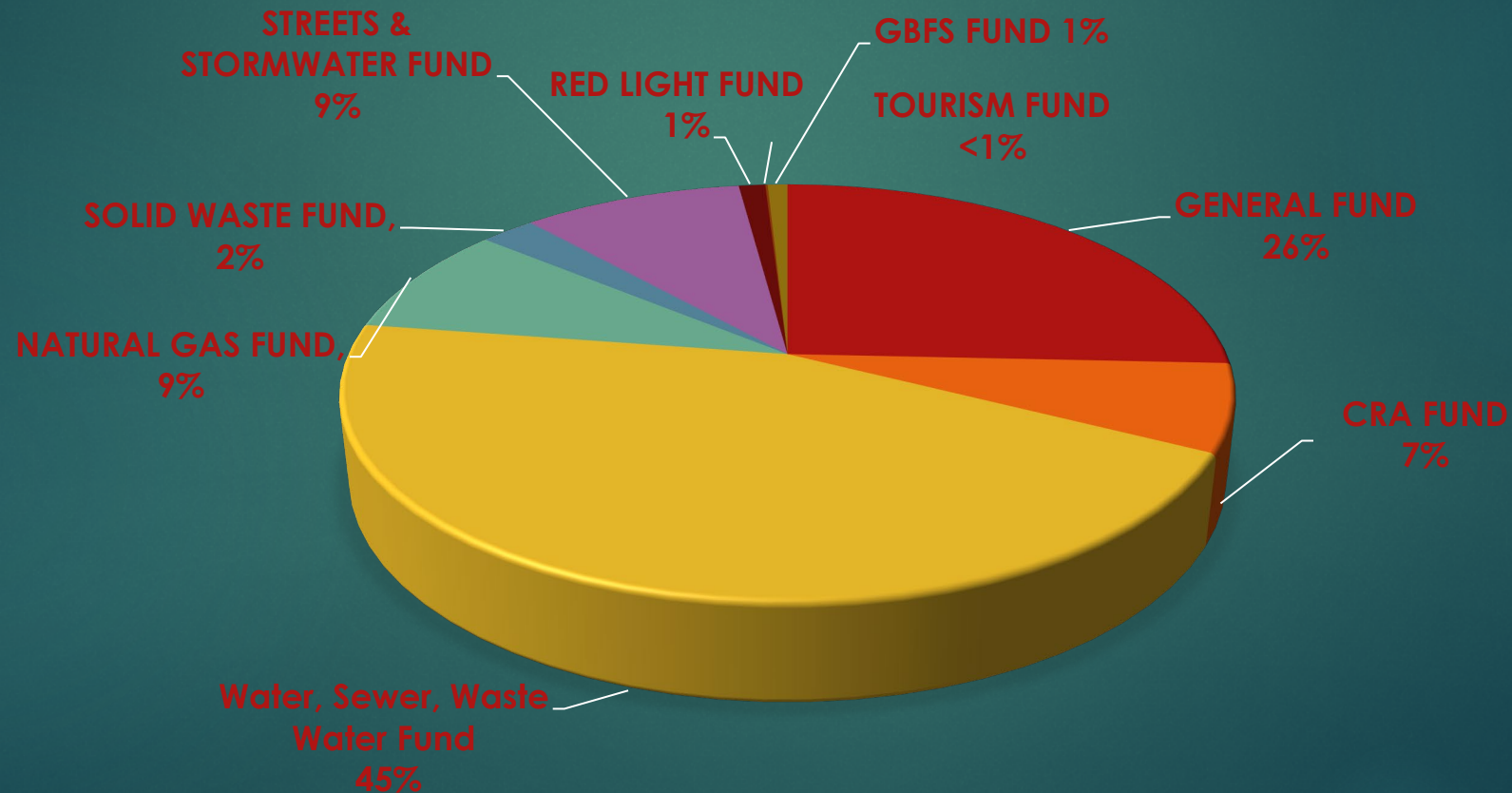
How Big Is Gulf Breeze City Budget?

Current Fiscal Year 2020-21

- ▶ FY2021 projected to end the year at 95% of original budget.
- ▶ \$ 39,293,261 for Original Proposed Budget
- ▶ \$ 7,564,751 for General Fund Operations
- ▶ \$ 2,535,500 for General Fund Capital Improvements
- ▶ \$ 2,664,562 for CRA Operations, Capital & Debt Svc
- ▶ \$ 26,528,448 for Enterprises and other Fund Operations

FY 2021 General Fund Budget Relationship to Total City Budget

GENERAL FUND VS ALL CITY FUNDS





Current Year Financial Condition and Future Forecast

- ▶ Economic Climate
- ▶ Gulf Breeze Community's Fiscal Health & Management
- ▶ Revenue adjustments
- ▶ Hurricane Sally Recovery
- ▶ Covid-19 Recovery

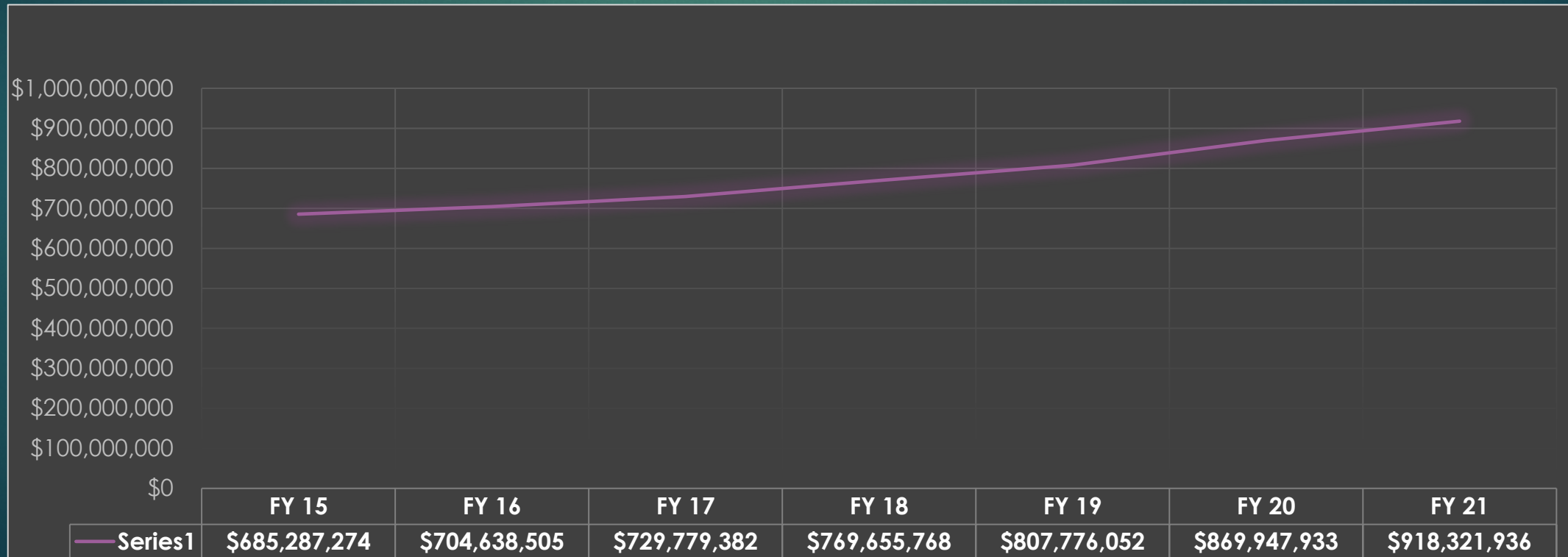
Hurricane Sally Expenses FY2020-21

| Fiscal Year 20 (All costs through 9/30) | | | |
|---|------------------------|------------------------|----------------------|
| Fund | Total Expenses | Est to be reimbursed | Est City Share |
| General Fund (001) | \$ 1,294,461.31 | \$ 1,050,767.97 | \$ 243,693.34 |
| Red Light (102) | \$ 37.28 | \$ 16.31 | \$ 20.97 |
| Stormwater Management (407) | \$ 8,957.13 | \$ 3,918.74 | \$ 5,038.39 |
| Natural Gas (402) | \$ 32,787.71 | \$ 14,344.62 | \$ 18,443.09 |
| City Water/Sewer (401) | \$ 35,689.97 | \$ 16,358.34 | \$ 19,331.64 |
| SSRUS (403) | \$ 185,253.35 | \$ 90,235.95 | \$ 95,017.40 |
| Solid Waste (405) | \$ 3,141.11 | \$ 1,374.24 | \$ 1,766.87 |
| TOTAL | \$ 1,560,327.86 | \$ 1,177,016.17 | \$ 383,311.69 |
| Fiscal Year 21 (All costs through 06/07/2021) | | | |
| Fund | Total Expenses | Est to be reimbursed | Est City Share |
| General Fund (001) | \$ 1,044,564.85 | \$ 893,792.24 | \$ 150,772.61 |
| Red Light (102) | \$ 4.17 | \$ 1.82 | \$ 2.35 |
| Streets/Stormwater (201) | \$ 202,324.42 | \$ 4,839.18 | \$ 197,485.24 |
| Stormwater Management (407) | \$ - | \$ - | \$ - |
| Natural Gas (402) | \$ 1,009.95 | \$ 441.85 | \$ 568.10 |
| City Water/Sewer (401) | \$ 122,052.12 | \$ 94,920.23 | \$ 27,131.89 |
| SSRUS (403) | \$ 132,828.19 | \$ 79,553.36 | \$ 53,274.83 |
| Solid Waste (405) | \$ 149.60 | | \$ 149.60 |
| TOTAL | \$ 1,502,933.30 | \$ 1,073,548.70 | \$ 429,384.60 |
| TOTAL To Date | \$ 3,063,261.16 | \$ 2,250,564.87 | \$ 812,696.29 |

PROPERTY GROWTH

The estimated actual valuation, as determined by the County Assessor, has increased approximately 5% annually which generally covers the increase in General Government employee payroll.

Gulf Breeze Property Actual Valuation



Broad Fiscal Indicators

- ▶ Adequacy of Reserves
- ▶ Debt Load
- ▶ Revenue Stability

Investments

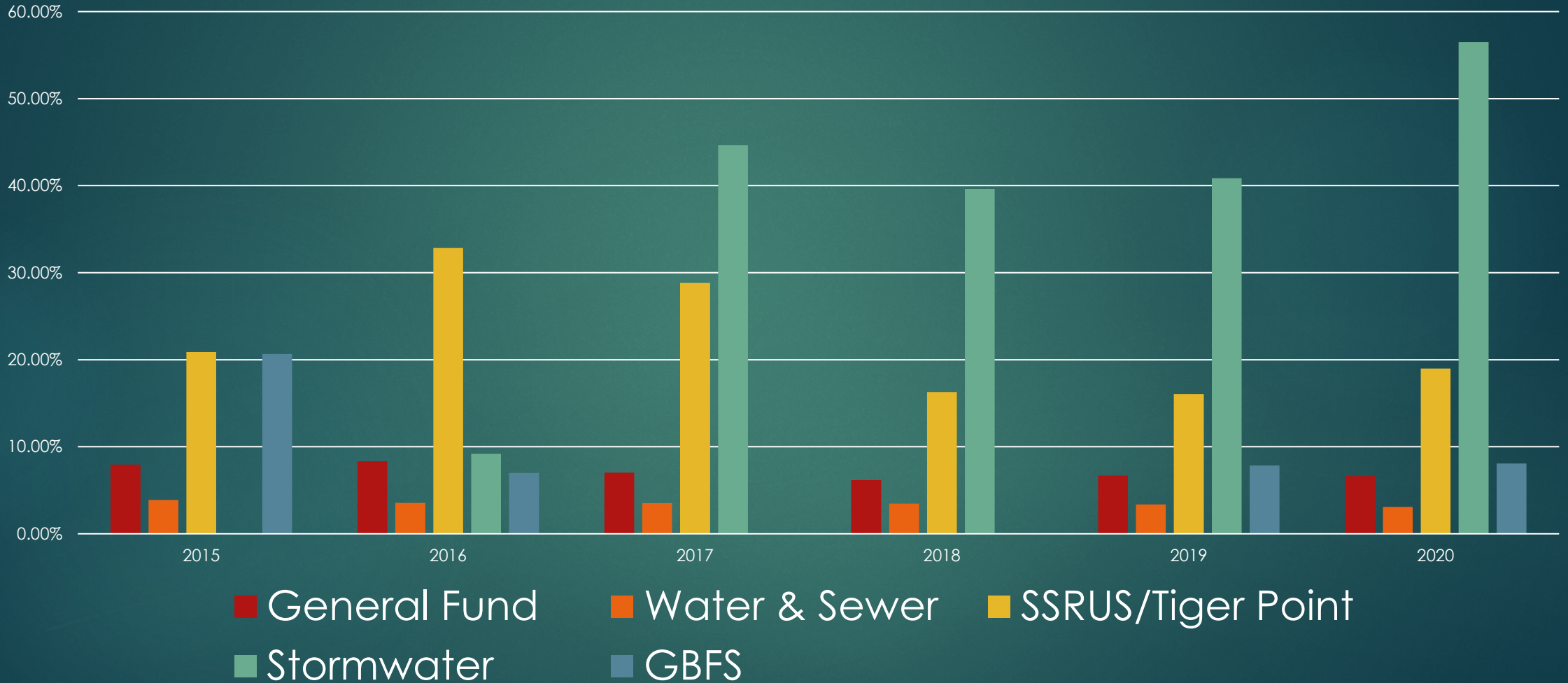
GBFS Investments as of June 30th

- Market value - \$10.445M, includes \$200,600 in cash
- Emergency Reserves. Never budgeted in spending plans.
- Annual cash earnings on investments \$376k, yield on cost of 3.60%
- Unrealized gain - \$454k
- Net earnings for nine months \$282k, about a 2.70% yield

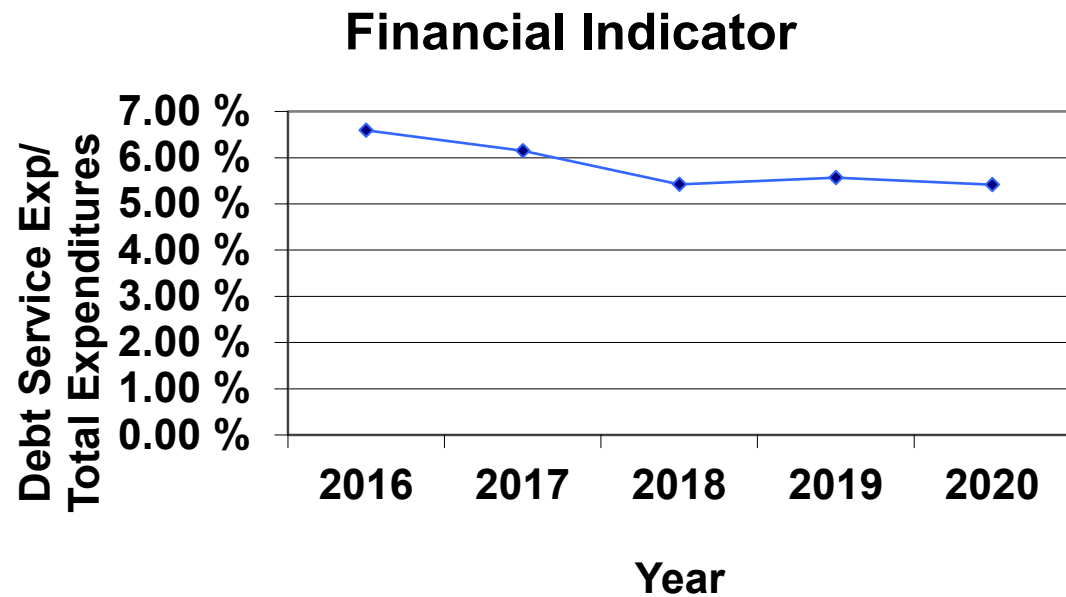
City of GB Investments as of June 30.

- Originally \$3M. Created in 2016 for identified Stormwater Projects
- Market value of the investments \$1.952M, includes \$4585K in cash
- Unrealized gain - \$33k
- Net earnings for nine months \$37k, about 1.2% yield
- Estimated annual cash earnings of remaining bonds -\$51k

Debt Service Coverage as a Percentage of Operating Expenses

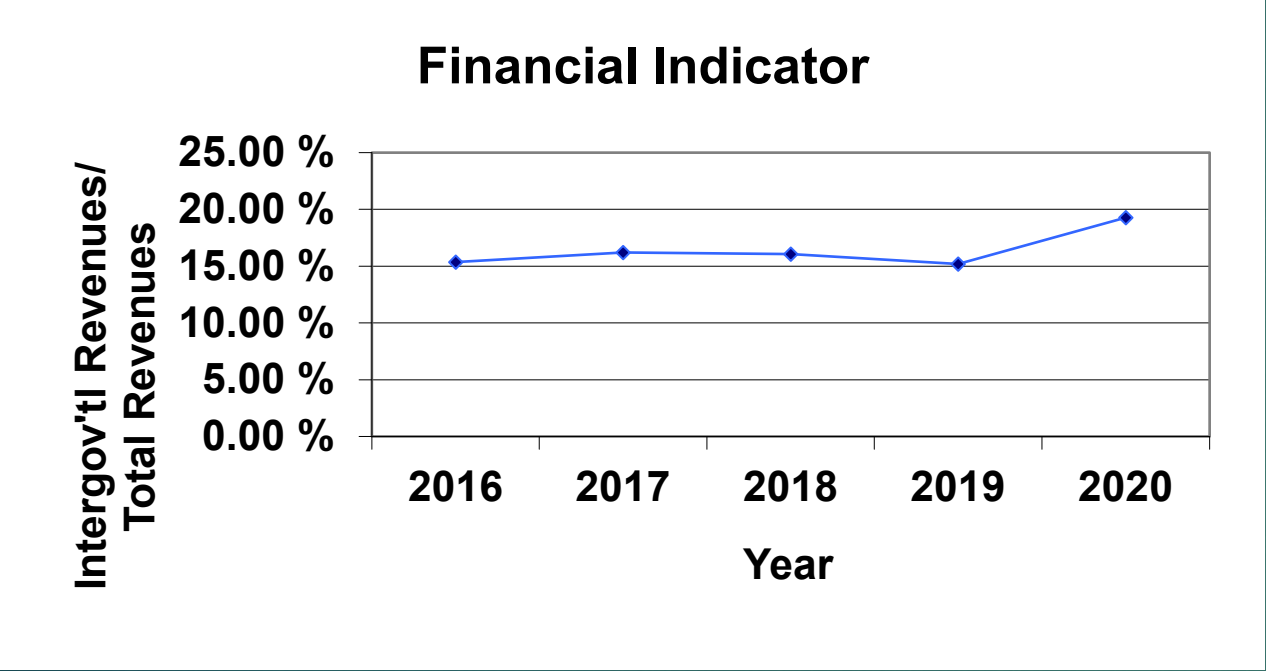


5.41% of the City's total expenses spent on debt.
This is very low.



| Benchmark Comparison Information | |
|----------------------------------|-------|
| Gulf Breeze | 5.41% |
| FL Benchmark | 6.24% |
| Difference | -16% |

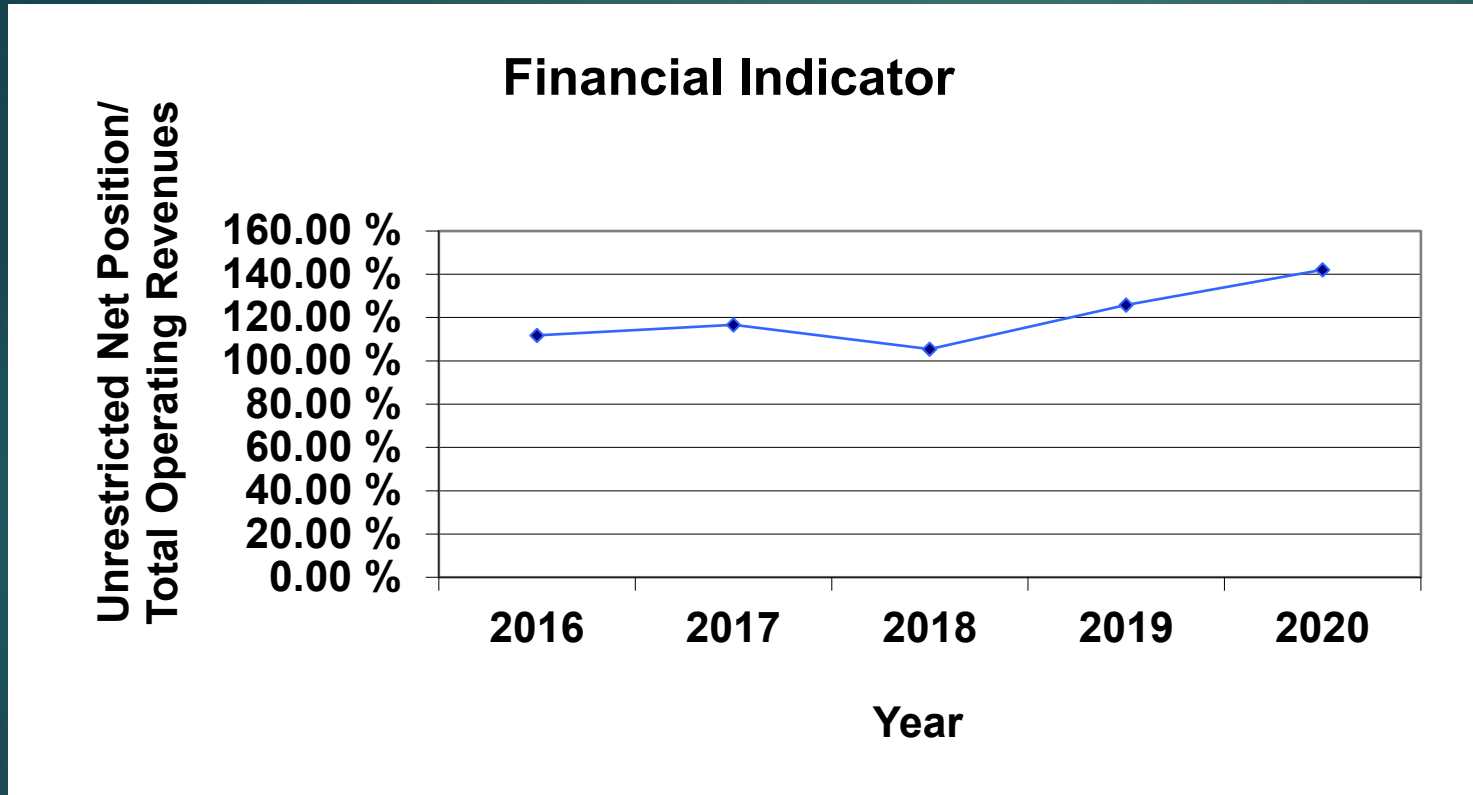
Over reliance on intergov't revenues can make a city vulnerable when spending shrinks and services slow.



| Benchmark Comparison | |
|----------------------|--------|
| Gulf Breeze | 19.00% |
| FL Benchmark | 19.29% |
| Difference | 0% |

Gulf Breeze has lessened its dependence on intergovt revenues as a focus on resiliency.

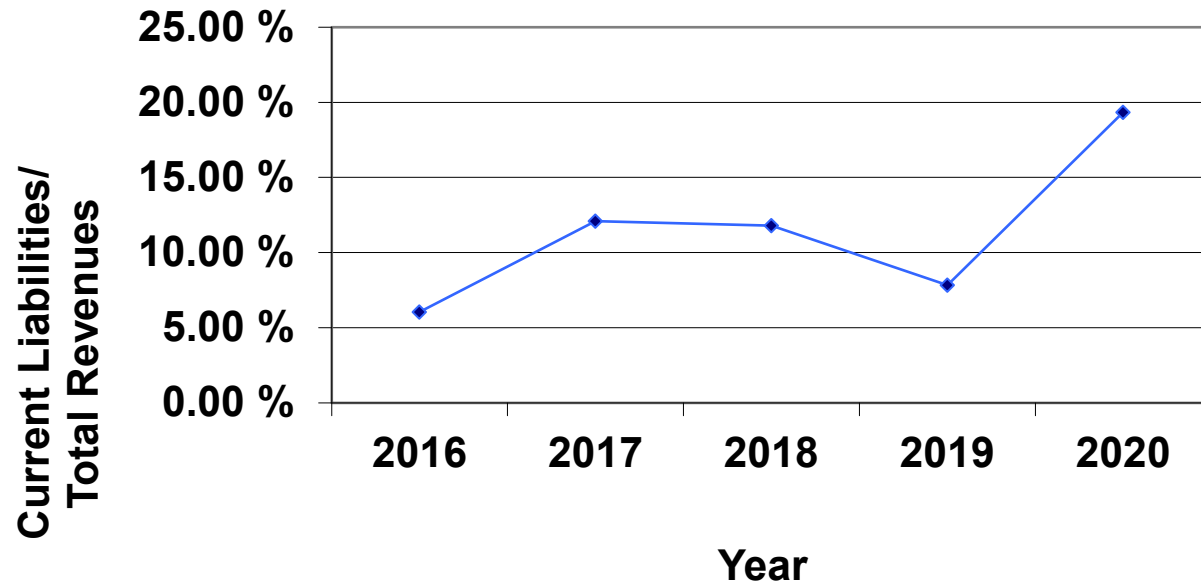
Unrestricted fund balance divided by total operating revenues (all funds)



| Benchmark Comparison | |
|----------------------|---------|
| Gulf Breeze | 142.09% |
| FL Benchmark | 44.53% |
| Difference | 186% |

The City's unrestricted equity exceeds its operating revenues by over 125%. It's **very good** to be over 100%.

Financial Indicator



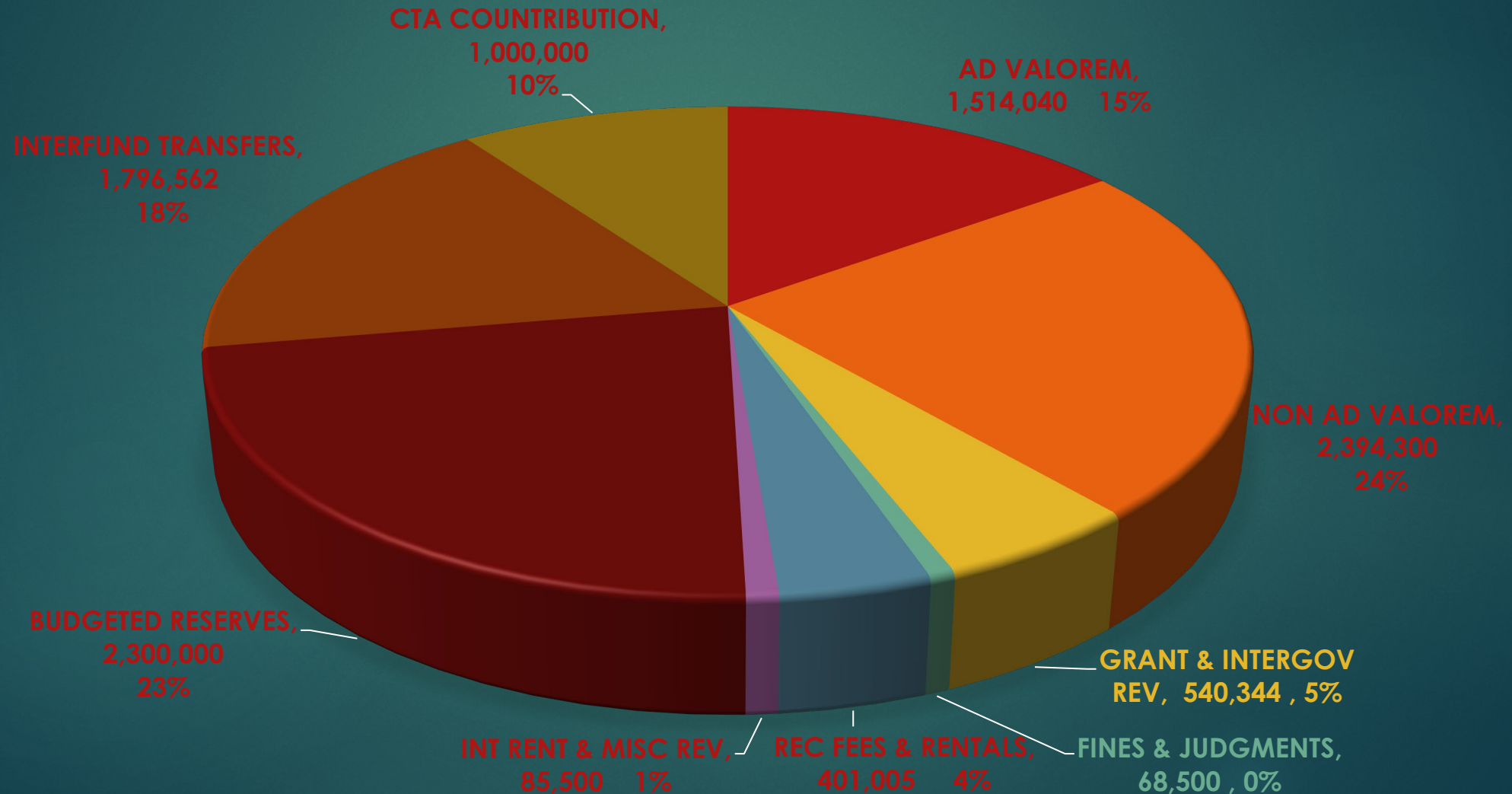
| Benchmark Comparison | |
|----------------------|--------|
| | 19.33% |
| Gulf Breeze | |
| | 5.34% |
| FL Benchmark | |
| Difference | 13.99% |

FY 2022 Revenue Stability Synopsis

- ▶ Maintains same very low millage rate of 1.9723.
- ▶ Revenue streams are stable.
- ▶ Continues transparency budgeting by reducing interfund transfers.
- ▶ Maintains City Council policy of 6-months emergency fund balance.

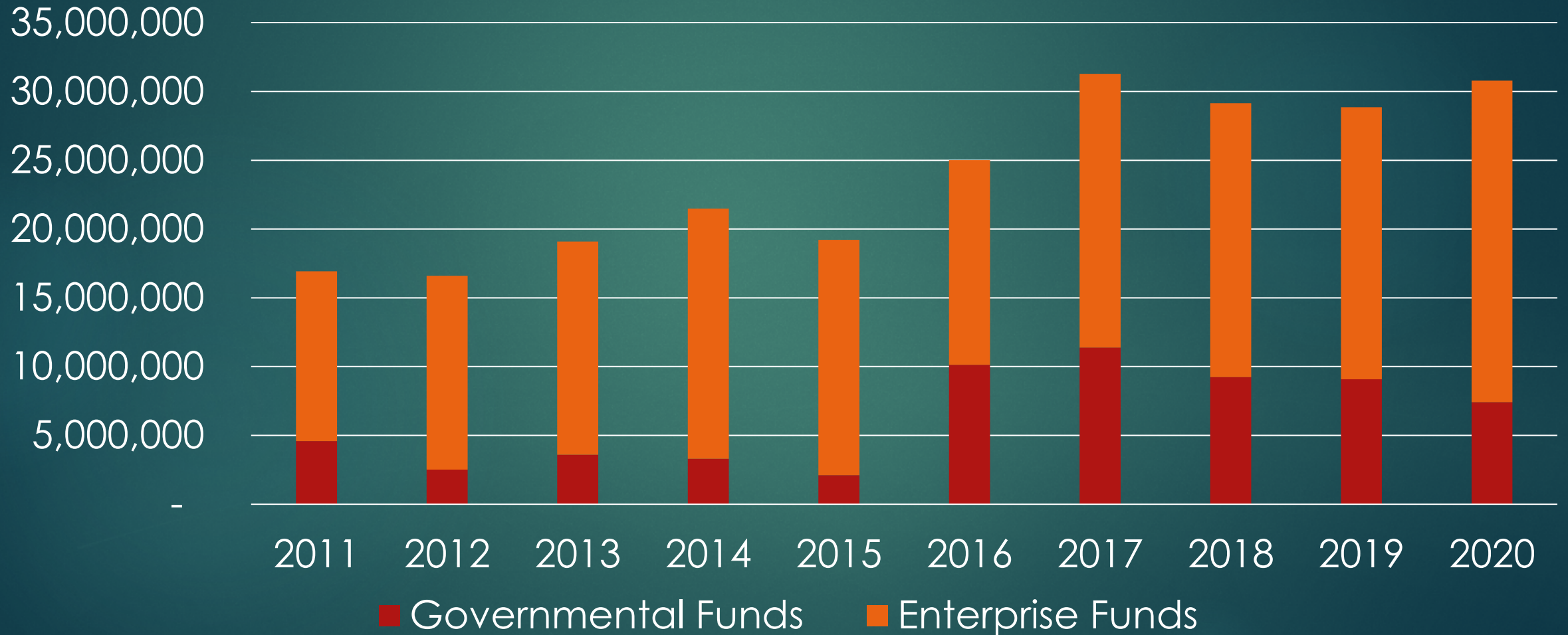
Revenues Projected FY22

GENERAL FUND FY 2022 PROJECTED REVENUES: \$10,100,251



General Fund Revenue Summary

Government and Enterprise Funds





FY22 General Fund Take-Aways (Major Governmental Operating)

- ▶ The proposed budget will continue to focus on:
- ▶ Employee Recruitment and Retention with no new positions added
- ▶ Public safety
- ▶ Fiscal Sustainability
- ▶ Resiliency and Neighborhoods
- ▶ Quality of Place



FY22 More General Fund Take-Aways

- ▶ Currently, the city is awaiting grant awards that are not yet included in the budget for capital projects.
- ▶ Sales tax is trending upwards from prior 12 months
- ▶ Currently, payments in lieu of taxes are not applied to all nongovernmental funds. Doing so would be a best practice and would increase revenues by approximately \$250,000.
- ▶ All taxes and payments in lieu of taxes account for approx. 49% of the total revenue of the General Fund.
- ▶ Diversified revenues has proven to benefit the City by making it less vulnerable/overly reliant on any one major revenue source.

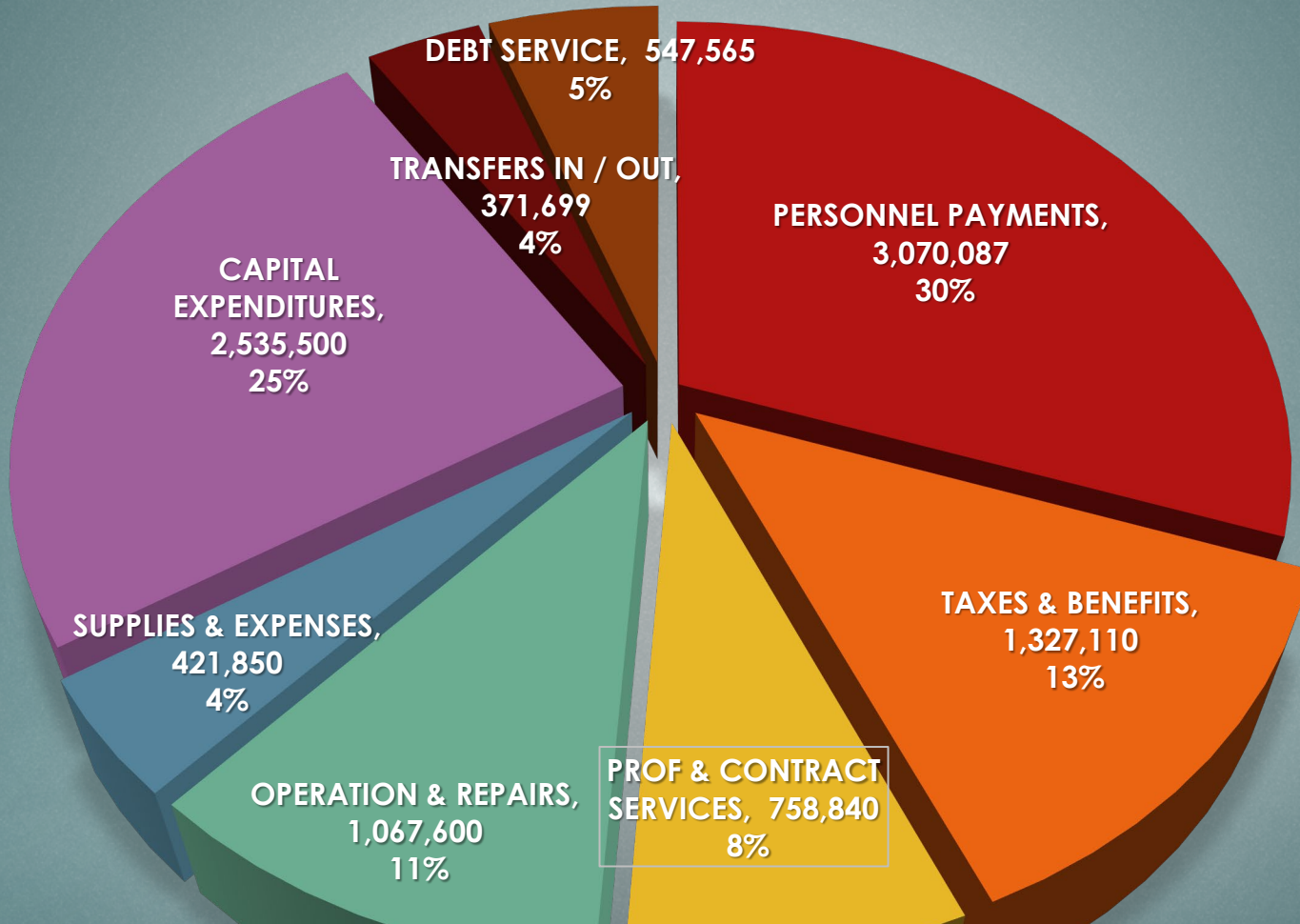
Summary of General Fund Revenues

| Description | FY 2021 Original Adopted Budget | FY 2022 Budget Request | % Change to FY21 |
|-----------------------|---------------------------------|------------------------|------------------|
| AD VALOREM | 1,432,091 | 1,514,040 | 6% |
| NON AD VALOREM TAXES | 2,373,485 | 2,394,300 | 1% |
| GRANT & INTERGOV REV | 611,758 | 540,344 | -12% |
| FINES & JUDGEMENTS | 68,400 | 68,500 | 0% |
| SALES REVENUES | 723,420 | 401,005 | -45% |
| INT RENT & MISC REV | 105,500 | 85,500 | -19% |
| BUDGETED RESERVES | 1,365,415 | 2,300,000 | 68% |
| INTERFUND TRANSFERS | 1,590,782 | 1,796,562 | 13% |
| CTA COUNTRIBUTION | 1,000,000 | 1,000,000 | 0% |
| TOTAL REVENUES | 9,270,851 | 10,100,251 | 9% |

Summary of General Fund Expenditures

| Description | FY 2021 Original Adopted Budget | FY 2022 Budget Request | % Change to FY21 |
|--------------------------|---------------------------------|------------------------|------------------|
| PERSONNEL PAYMENTS | 2,813,865 | 3,070,087 | 9% |
| TAXES & BENEFITS | 1,320,742 | 1,327,110 | 0% |
| PROF & CONTRACT SERVICES | 750,504 | 758,840 | 1% |
| OPERATION & REPAIRS | 994,780 | 1,067,600 | 7% |
| SUPPLIES & EXPENSES | 536,420 | 421,850 | -21% |
| CAPITAL EXPENDITURES | 511,236 | 2,535,500 | 396% |
| TRANSFERS IN / OUT | 1,754,393 | 371,699 | -79% |
| DEBT SERVICE | 561,004 | 547,565 | -2% |
| BUDGET SURPLUS | 27,907 | - | -100% |
| TOTAL EXPENDITURES | 9,270,851 | 10,100,251 | 9% |

General Fund FY22 Projected Appropriations: \$10,100,251



| | | |
|-----------------------|-----------------------|----------------------------|
| ■ PERSONNEL PAYMENTS | ■ TAXES & BENEFITS | ■ PROF & CONTRACT SERVICES |
| ■ OPERATION & REPAIRS | ■ SUPPLIES & EXPENSES | ■ CAPITAL EXPENDITURES |
| ■ TRANSFERS IN / OUT | ■ DEBT SERVICE | |



City Department Budgets

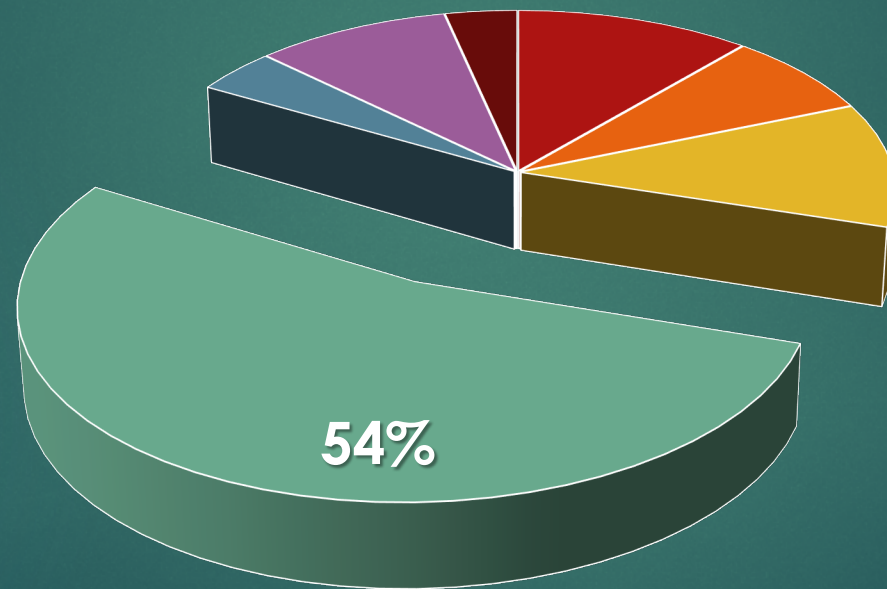
- Highlights -

Refer to Budget Package
for Report Detail



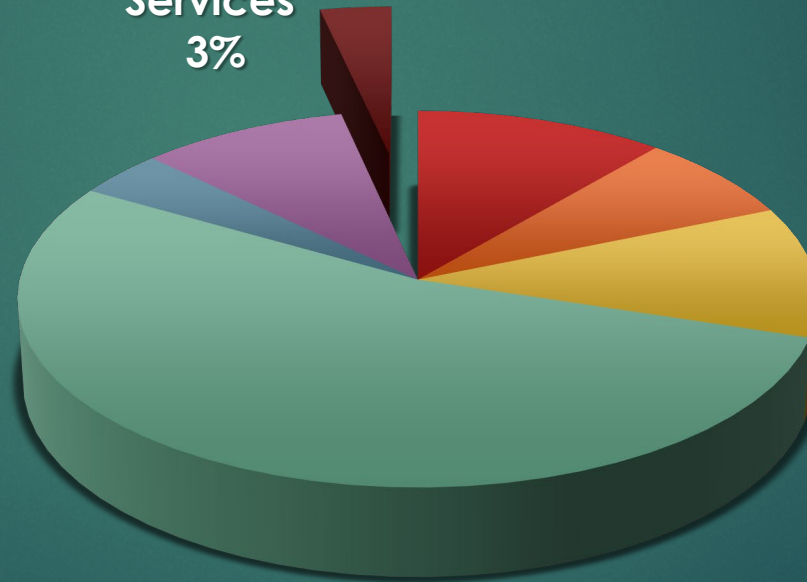
General Government & Internal Services

Law Enforcement



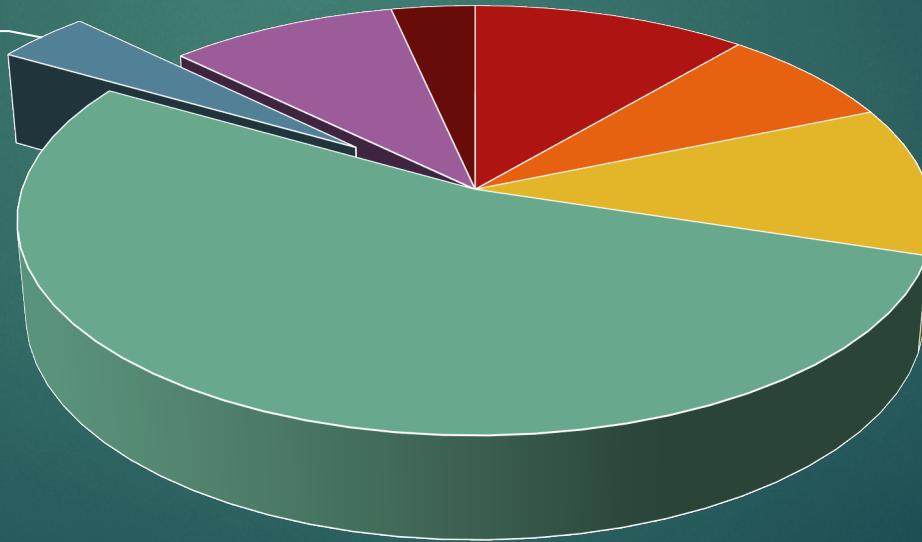
COMMUNITY SERVICES

1900 - Community
Services
3%

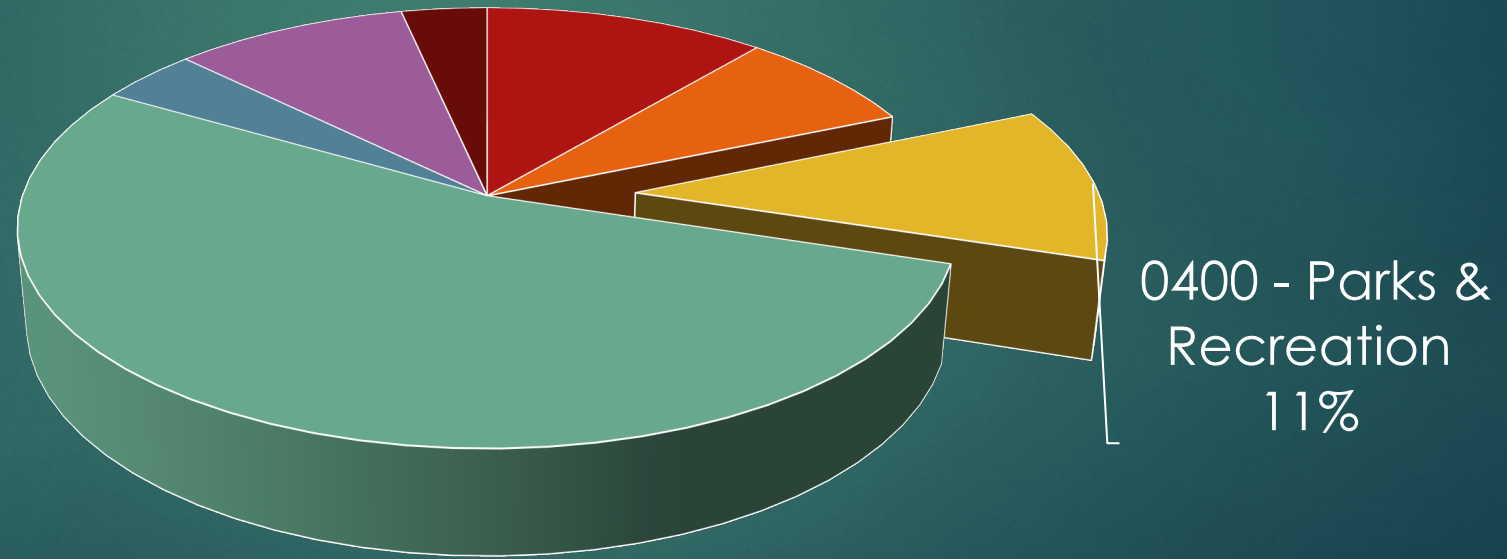


VOLUNTEER FIRE DEPARTMENT

0600 - Fire
Control
4%



Parks and Recreation



Thank you!



CITY OF
GULF BREEZE
— 1961 —