



CITY OF CLEARWATER

POST OFFICE BOX 4748, CLEARWATER, FLORIDA 33758-4748
CITY HALL, 112 SOUTH OSCEOLA AVENUE, CLEARWATER, FLORIDA 33756
TELEPHONE (727) 562-4040 FAX (727) 562-4052

CITY MANAGER

City Council
City of Clearwater
Clearwater, Florida

June 30, 2006

Honorable Mayor and Members of the City Council,

The following represents my proposed Annual Operating and Capital Improvement Budget for the fiscal year beginning October 1, 2006. The proposed ad valorem property tax millage rate reflects a reduction of one-third of a mill from the current 5.753 mills to a proposed rate of 5.42 mills for the 2006/07 fiscal year. Strong taxable values offer the opportunity to propose this decrease in the millage rate, and also to address a number of other critical financial issues that are challenging our City.

An area of focus that I have paid particular attention to in this budget process, and have used as a guide in the development of this budget, is the newly modified City Vision. During this past year, the City Council took staff and the community through a public journey to redefine the City's vision for the next twenty years. As a result of this process, the Council modified the official vision statement and developed a series of strategic priorities that were adopted in February 2006. This document takes this process one step further with the development of a budget that supports the City's vision and focuses on the Council's strategic initiatives in a fiscally responsible manner.

In the section of this document entitled "City's Vision and Performance Measures", I have outlined our accomplishments during the current fiscal year in each of the six Council defined elements of the plan. In addition, we have defined our major goals for the 2006/07 fiscal year and developed a series of performance measures to show our progress. In the "Capital Improvement Program" section, the proposed projects have focused on those that are reflective of the Council's vision and priorities. In each major category of the capital improvement program, we have outlined how each of the given projects seek to achieve the elements and priorities of the City's vision.

My proposed budget addresses several areas of financial concern. The City's construction of Beach Walk, that is now underway on Clearwater Beach, will eventually lead to the elimination of the revenue from more than 500 metered and cashier parking spaces on Clearwater Beach, resulting in a funding issue for the City's Parking Fund. This budget proposes the inevitable shifting of the funding of the Jolley Trolley and the Beach Guard program, almost \$1 million of costs that have been previously supported by the Parking Fund, to the General Fund. In addition, the debt costs on a bond issue for Beach Walk will impact the proposed budget by an additional \$1 million.

Other critical funding issues that continue to challenge Clearwater are the same issues that are being felt nationwide and in our neighboring Florida communities. Fuel and energy costs for our City's fleet and facilities are escalating at double-digit rates. Due to hurricane concerns, our property and liability insurance costs across all City operations are expected to increase by more than 100% in 2006/07. This budget funds approximately two-thirds of this increase, with the balance of needed funds provided from the retained earnings of the Central Insurance Fund, if necessary. Our financial staff is reviewing options to keep these costs manageable and we will have further discussion on this subject as the year progresses.

FRANK HIBBARD, MAYOR

JOHN DORAN, COUNCILMEMBER
BILL JONSON, COUNCILMEMBER

HOYT HAMILTON, COUNCILMEMBER
CARLEEN A. PETERSEN, COUNCILMEMBER



"EQUAL EMPLOYMENT AND AFFIRMATIVE ACTION EMPLOYER"

Another major area of consideration is the funding of our employee's pension fund. Our most recent actuary report confirms the need to continue the path we started last budget year with a goal toward achieving a 20% contribution of covered payroll. This budget reflects a 3% increase in the City's contribution from the 10% contribution in the current year to a proposed contribution of 13% in the 2006/07 budget year. This is an impact of over \$1.9 million in the General Fund alone, and \$2.8 million across all City operations.

I look forward to discussing this budget with you. My personal thanks to the Council and citizens of Clearwater for your consideration of this budget.

Respectfully submitted,


William B. Horne II
City Manager