



Pam Iorio, Mayor

June 22, 2007

To: The Honorable Gwen Miller, Chair and
Members of Tampa City Council

From: Pam Iorio, Mayor *P. Iorio*

Subject: Budget Issues

Significant changes in state law limiting property tax revenue to local governments will affect how our city government operates in the future. The changes are dramatic and how we lead during this time of transition is important to all our citizens.

There are two key changes in state law that affect us. (We have not yet evaluated the possible impact of the proposed constitutional amendment relating to a super homestead exemption.)

The first is the fiscal year 2007-2008 impact. The law requires local government to rollback the millage rate to produce the same ad valorem revenue produced for fiscal year 2006-2007, adjusted for new construction and a portion of TIF payments. The State has preliminarily imposed an additional five percent cut on the City of Tampa. This additional amount will be verified by the Florida Department of Revenue over the next few weeks.

This results in the need to cut approximately \$20 million (this number is fluid as we are still receiving additional revenue information) from our general fund operating budget.

The second part of the legislation is an even more important point. It deals with how our property tax base is able to grow in the future.

We will be required to reduce the millage rate to produce the same ad valorem revenue as the prior fiscal year, adjusted for new construction, a portion of TIF payments, and growth in per capita Florida personal income. For the 2008-2009 fiscal year we estimate that our growth on the ad valorem side will be limited to less than five percent and could be far less given cycles in new construction.

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In the past we have been dependent on growth in the ad valorem tax base to not only fund our existing personnel structure but to add to the services we offer. With our current staffing level we need roughly a nine percent increase in ad valorem growth each year to sustain the same personnel. Under the new formula we will no longer be able to utilize ad valorem revenue growth to even sustain our current workforce.

Future growth will be totally dependent on new construction and growth in personal income, both of which are cyclic in nature and especially prone to drops during a recession.

Approximately 80 percent of the cost to operate the general fund is in personnel. The challenge then is to permanently reduce the size of the city staff; significant savings cannot be obtained any other way.

As you know we instituted a hiring freeze in April. While I wish that all personnel cuts could only be in vacant positions or by attrition over time, this will not be possible. My staff has been identifying personnel cutbacks within their departments and the work is still on-going.

We must meet the challenge of this new reality in a thoughtful and methodical way. We are using certain guiding principles as we adapt our organization to this significant change:

- Protect essential services that the public relies on everyday.

- Make a significant cut in personnel.

- Make very few cuts in Police and Fire and only make changes in those two departments that do not affect everyday response time for essential service.

- Recognize that city government can no longer provide all the services that we currently provide and eliminate or reduce those that we can no longer afford.

- Reorganize where possible in order to eliminate positions and maximize personnel savings.

As we expect to announce personnel cuts soon once all the work has been completed, I want to underscore three points.

First, that the cuts are originating from the people who know their departments and are experts in the services they deliver to the public. Second, in cutting filled positions, that each affected employee will be given 90 days from the time they have been told that their position is being eliminated to their departure from the city. We are committed to working with employees during this transition period. Third, that the cuts have been

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coordinated among administrators to ensure that they make sense for the entire organization.

It is important that we have the opportunity to talk about the bigger financial picture facing our city. These changes affect city government for the long-term. Please join me for an informal discussion in my conference room on Wednesday, June 27, at 9:00 a.m. We will present greater detail on the impact of the new state law on our finances. This kind of informal session will undoubtedly help us better understand the changed reality for our city.

PI/slc

cc/Shirley Foxx-Knowles, City Clerk