MAYOR'S BUDGET ADDRESS – July 28, 2014

Good morning. Six years ago we gathered in this chamber as our country, and our community, spiraled into the worst recession since the Great Depression. Revenues were plummeting. Expenses like fuel and healthcare were rising rapidly. And, unlike businesses that were seeing a decline in the demand for services as the economy headed south, the demand for our City services was actually increasing. On that day, our City government made a promise to its residents.

We pledged to reduce the size of our government and do everything possible to keep money in the pockets of our residents and businesses when they needed it most. We promised to fight to preserve core City serves like police, fire, public works and neighborhoods. We vowed not to raise taxes for as long as possible during the recession. Every financial decision over the last six years has been made with these guidelines in mind. I am proud to say that those promises have been kept.

The numbers speak for themselves.

- We have cumulatively reduced our City budget by nearly 380 million dollars since 2003.
- At the same time, we have increased our investment in keeping our City safe by adding 188 police officers and firefighters. That investment means Orlando continues to have more police officers per thousand residents than any other major City in Florida and a Fire Department that has the highest levels of accreditation possible.
- Even though our City's population has increased 33 percent since 2002, we've decreased our civilian workforce by 16 percent. Twelve years ago, there was one city employee for every 87 residents. Today, we've shrunk that number to one civilian employee for every 139 residents. That's a direct result of our dedicated City staff stepping up and providing a higher level of service with fewer resources.
- As other cities across Florida raised taxes, declared financial emergencies and raided their reserves… national organizations like the Pew Chartiable Trust were lauding Orlando as a model for fiscal health because we maintained our reserves, made our pension obligations and maintained a superior credit rating

Six years later, this financial stewardship and our commitment to living within our means has helped set the stage for Orlando's economic rebound:

- Permitting is up 60 percent since 2009.
- Home prices are up double digits from a year ago.
- Commercial real estate is surging with five billion dollars in sales in just the last year.
- Orlando's tech industry is getting noticed around the globe.
- Fresh off the news that the U.S. Tennis Association will build its new headquarters at Lake Nona, our Medical City was the feature of a Forbes article called "How to Build A Great American City."
- *CNN Money* says we are, once again, one of the top cities in America that people want to move to.
- Our tourism industry just set a record by welcoming 59 million visitors to our community. And, the City's largest taxpayer Universal Orlando is poised to break even more records with the expansion of the Wizarding World of Harry Potter.
- A recent national survey ranked Orlando as the sixth most friendly City in America to small businesses and gave us A-plus grades for our tax codes, business licensing, zoning and environmental regulations.

All of this means Orlando is poised for what may be the biggest year in its history as we look to create more quality jobs and grow our economy.

Budget Realities

While our economy is now improving, our City Budget is not in the same position. This is due, in large part, to statewide property tax reform passed in 2008. This caps the growth of property tax revenue a local government can receive. These revenue caps placed on the City of Orlando have limited our ability to recover in the same way that our economy is recovering. In other words, our revenue can't keep pace with our growing economy. This same scenario is playing out in cities across Florida, many of which have already drained their reserves and raised taxes during the recession. Once again, the numbers speak for themselves.

The primary source of funding for core City services is local property taxes. In 2009, the City generated about 137 million dollars in property tax revenues. In 2014, the City generated 102 million because of revenue caps. That's a drop of more than 30 million dollars. That equates to the entire amount of money the City spends on our Families, Parks and Recreation department.

That gap will likely only get wider as the demand for City services increases in an improving economy. This means there is no way our City could come close to generating enough revenue to cover the cost of its pre-recession budgets. More importantly, it means our City is not able to generate enough revenue to cover the lean "basics budgets" that we have adopted in order to endure the recession.

This budget reality has been the focus of a series of City Council workshops over the last several months. During these workshops, Commissioners, we've asked tough questions and looked at all manner of options for developing a balanced budget and addressing this ongoing structural imbalance.

Do we keep cutting? Do we reduce police and fire protection? Do we cut after school and summer programs? Do we reduce park hours/community center hours? Do we reduce or eliminate the services that residents depend on like street maintenance? Do we pull back on the wise investments that we have fought so hard to maintain and that are now a key part of our recovery; job creation catalysts including our small business assistance programs and our efforts to both attract and grow the next generation of employers?

Or, do we have the resolve once more to make some difficult but necessary decisions to maintain the City services we have and keep our City on track toward the vision we share for the future of City Beautiful?

Commissioners, these decisions are not easy. But, we were not elected to do what's easy. We were elected to do what's right. Our residents entrusted us with doing what's right for them, for their families, and for our City. The plan that we've put together does what's right for Orlando. It includes a combination of strategies that will help ensure the long-term health of our City.

Adjusting the Millage Rate

The first step in this plan is to continue cutting costs, reducing expenses and finding efficiencies throughout our City government. I am proud of the culture of savings and efficiency that exists throughout the City's workforce. Programs such as Greenworks – the City's sustainability initiative, automated trash pick-up and our switch to using Google email saves millions of dollars each year. As part of our ongoing commitment to reducing costs everywhere possible, we are recommending a 17 million dollar reduction to the general fund for the 2014/2015 fiscal year. This is on top of the hundreds of millions of dollars we've already cut.

As the second step in our plan, based on the discussion at our workshops, we are formally proposing to increase the millage rate by one mill… from 5.65 to 6.65. Even with this adjustment, we'll still be collecting less revenue than we did in 2009. But, it will be enough to prevent drastic reductions in core City services.

Adjusting the millage rate, combined with our commitment to reduce expenses, will allow us to fill our budget gap this year. It will also allow us to correct the fundamental revenue imbalance caused by property tax reform, and in doing so, ensure that we keep our government on strong financial footing and safeguard Orlando's future. We do not take the decision to adjust the millage rate lightly. But, it's important to look at this action in context.

What will adjusting the millage rate mean?

It means the average homeowner will see an increase of less than ten dollars a month. Even with that slight increase, they will be paying less than what they did in 2009. Think about that for a second. I can't think of too many services that cost less than what they did in 2009. The average cell phone bill is three times higher than it was five years ago. The price for a gallon of milk has gone up 21 percent. And, the price of gas is up more than 50 percent.

By asking residents to pay roughly the same amount they did in 2009, our City will be able to continue to deliver the superior services residents depend on.

And, we will be able keep our priories on track; everything from the continued revitalization of Downtown.

To our efforts to create next generation careers.

To ensuring that our streets and sidewalks are maintained.

To our projects to reduce traffic congestion.

To our children's initiatives.

To maintain and expand our parks and green-space.

And of course, to ensure we continue to keep our City safe.

To make sure that our residents have access to this information, we've created a special budget section on our website. Citizens can see all the budget documents we've talked about today. They can also use a special calculator to determine precisely what they will pay in property taxes. This is part of our ongoing commitment to showing our residents where their tax dollars go – and why that spending is important.

As we talk about the future of our City, I think it's important to also talk about our community venues. There may be some out there who see the news that Orlando has raised its millage rate and who waive a finger in the air and say, "That money must be going to pay for those new venues." I think it's fair that we challenge those sorts of claims head-on with facts. One percent of our general fund budget is allocated for what we would call our "headline" projects: SunRail, The Amway Center, the Citrus Bowl, The Dr. Phillips Center and our new Major League Soccer stadium.

One percent. The majority of the funding for those projects comes from either tourist taxes or other outside funding. These funds can only be used for these types of community projects or to promote our tourism industry. That one percent of our general fund is the perfect example of an investment in our future. Already, 300 contracts have been awarded to local companies for the venues. More than two-thousand residents have been employed through the Blueprint project. By investing a modest amount in these projects we see a return on that investment many times over.

We create powerful economic engines that generate jobs, we continue to help make Orlando a place that attracts new residents and we give those who live in our City the modern amenities they deserve.

In closing today, I want to say thank you again to our City Commissioners. Working together, this City Council has helped our City achieve some remarkable accomplishments. We've helped better the lives of thousands of children and families. We've invested in our entrepreneurs who are creating quality jobs. And, we've helped reinvent Orlando as a place that young people want to live and grow, where they can have the careers of tomorrow and a quality of life that is second to none. Commissioners, this is a credit to your leadership and your willingness to roll up your sleeves and tackle the challenges before us, just like you are doing today. I am privileged to serve our residents in partnership with you.

I'd also like to recognize our City employees, not only for their commitment to creating a culture of savings at City Hall, but also for the incredible job they do in service to our residents every single day.

Above all else, I want to thank our residents for their partnership and for their faith in this government as we've worked together to overcome all of the challenges brought on because of the Great Recession.

I am humbled and proud to serve as Mayor in a city where we don't back down from a challenge and where we don't shy away from making tough but necessary decisions because we love our City.

That spirit and love for our City Beautiful is what has guided our actions during this budget process.

That spirit and love for our City Beautiful is also what has allowed us to endure the recession and come out the other side poised to build a better future for all our families.

That concludes my formal remarks. I want to call on Rebecca Sutton, our Chief Financial Officer, to deliver our budget presentation