

Market Environment

Overview

The City remains in excellent financial health as evidenced by our “AAA” bond rating by all three Wall Street rating agencies. There is one exogenous factor, however, that will challenge our financial fitness moving forward: the impact of the recent property tax legislation.

Property Tax Legislation

Tax reform proposals and counter-proposals dominated the State Legislative session this year. The City was heavily involved in those discussions because of the potential short and long-term effects of each of the proposals on the City’s ability to provide the level of service our customers demand.

Having dispatched the insurance issue quickly in a special legislative session, the Legislature had hoped for a similarly quick reform of the State’s property tax system.

The approach taken to solve the State’s tax problem seems to depend on the definition of the problem. Many legislators have gone on record saying that the problem is that cities and counties have taken too much of the public’s money during the run-up of real estate prices since 2001. The increases in real estate prices have caused assessed values to increase dramatically in some cases, in turn causing tax bills to increase just as dramatically, despite the fact that the City’s combined tax rate has decreased by 9% between Fiscal Years 2001 and 2007.

From the City’s perspective, the problem is quite different. We believe tax reform is necessary because of the inherent inequities in the current system. Our analysis of a typical Coral Springs neighborhood shows a new resident can pay as much as two to three times more in property taxes than a long-time homesteaded resident—yet receive the same level of service.

The primary issue here is the repercussions of the current Save Our Homes Amendment that caps the taxable value of homesteaded property

at 3% or the change in the Consumer Price Index, whichever is less. Property tax legislation is needed to address the following inequities created by the Save Our Homes amendment:

- a new homeowner pays more taxes than a homesteader for the identical house, yet both receive the same level of service;
- non-homesteaded and non-residential property owner taxes increase each year with no cap;
- when a homesteader sells their home and purchases another home they lose their current Save Our Homes benefit, thereby discouraging home sales by penalizing the homesteaded homeowner.

The Florida Legislature’s answer to the property tax issue was passed on June 15, 2007. In response to rapidly rising property taxes resulting from the recent increases in housing values, the legislature approved a two-part property tax legislation. The first part requires cities to roll back their tax rates to 2006 levels, then subtract 3% - 9 % from revenues depending on the cities’ past taxing history. The second part requires voter approval to change the Florida Constitution. Based on our past history, Coral Springs is required to reduce the tax rate by 5%.

The legislation will proceed in two steps:

1) Statutory Tax Relief - Effective in Fiscal Year 2008

The City will be limited to the tax revenue it received last year minus 5%. This will result in a “rolled-back rate” that precludes the City from collecting additional property tax revenue from increases in valuation of current properties or from new construction (the combined increase in the City’s valuation is expected to be 9.9%). Further, this cap will not allow for any inflationary increase based on either the Consumer Price Index (CPI) or Per Capita Personal Income (PI) growth. The 5% decrease will reduce our revenues immediately by \$1.75 million while the cap, which provides for no growth due to inflation or new construction, will cost the City another \$1.75 million, making the total impact \$3.5 million.

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2) Constitutional Tax Relief - Effective in Fiscal Year 2009

In the second step, the Save Our Homes system would be completely overhauled allowing a “super-exemption” for homesteaded properties. This constitutional change will require approval of 60% of voters. The proposed change will be placed on the ballot in January 2008 and, should it be approved, would become effective in Fiscal Year 2009. This “super-exemption” will cost the City approximately \$3.25 million in ad valorem tax revenues.

As shown in the “Constitutional Reform Has Greatest Impact on Inequity” chart, step two of the legislation will provide the most relief to recent homesteaded property owners. This is partially the case because the constitutional amendment applies to the School Board as well as to cities, counties, and special districts. In fact, one-third of the potential decrease to homeowners using the “super-exemption” would come from a decrease in School Board taxes. Although the Governor has stated that any loss in school revenues will be replaced by state funding, no ongoing source of funding has yet been identified.

To illustrate the impact of tax reform legislation on the City and on our customers (our residents), we have calculated the effect on two typical Coral Springs homeowners. In the “Constitutional Reform Has Greatest Impact on Inequity” chart, the Long-time Homesteader represents a homeowner who has owned his or her house since the 1990’s. Although the home is valued at \$500,000, it is taxed at a Save Our Homes value of \$210,000, minus a \$25,000 homestead exemption. The New Homesteader in an identical home valued at \$500,000, on the other hand, is assessed at \$425,000 taxable value in 2006. The total tax bill shown in the chart includes those for the City and County as well as special taxing districts such as the School District, Hospital, Children’s Services, and the Water Management District.

The legislation’s second step, constitutional tax relief, appears to address the inequity between long-term homeowners and new homeowners in terms of the total taxes paid by each. The New Homesteader, meanwhile, paid \$4,496 more in taxes than the Long-time Homesteader did in 2007. Implementing the statutory provisions of the proposed legislation reduces the total 2008 tax bill of both Homesteaders while slightly

reducing the disparity in their tax bills by \$201. Finally, adopting a Constitutional Amendment replacing the Save Our Homes exemption with a “super exemption” in 2009, combined with the statutory change, reduces the Long-time Homesteaders tax bill slightly compared to Fiscal Year 2007 (\$35) but drastically reduces the New Homesteader’s tax bill by \$3,138. More importantly, however, the inequity between the Homesteaders is reduced from \$4,496 to \$1,393, or by 69%.

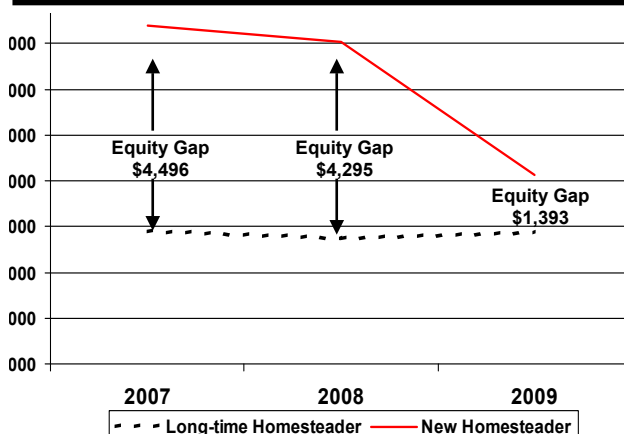
The statutory provisions of the proposed legislation will reduce the City’s Ad Valorem revenues by \$3.5 million in 2008. The adoption of the “super exemption” will cost the City an additional \$3.25 million in 2009, bringing the total cost to approximately \$6.75 million the same year.

Future Budget Challenges

The tax reform legislation raises several issues that must be considered as we move forward in our budgeting process:

- Due to the phasing of tax reform, the Fiscal Year 2009 Budget will be as difficult, if not more difficult to balance than the Fiscal Year 2008 Budget.
- After Fiscal Year 2009, expect tax revenue to increase between 3% and 5% annually, both because of tax reform caps on cities and counties and because the real estate market is adjusting itself, no longer yielding the 9% to 15% increases of the past several years. Annual increases in total revenues (including non-tax revenue sources) are expected to be in the 3% to 3.5% range. The result of these caps

Constitutional Reform Has Greatest Impact on Inequity



Note: The total tax bill shown in the chart includes those for the City and County as well as special taxing districts such as the School District, Hospital, Children’s Services, and the Water Management District. Chart assumes a market property value of \$500,000 for a single family home..

The number of single family homes sold plunged 34% and condo sales declined by 29% in the past year.

in future years will cause all departments to carefully control costs throughout the Five-Year Financial Forecast including dialing back expectations formed by our employees and customers about our ability to add new initiatives, positions, and employee benefits.

- The distribution formulas for existing state and county shared revenues, e.g., sales tax, are based on the City's population. For the first time in its history, the population of the City has started to decline. If the City's population declines disproportionately to other cities in the county, its share of state and county revenues could decline thereby compounding the impact of the decrease in property tax revenues.

Economic Analysis

Business Week characterizes the economy's performance during the past year as follows: "Over the past year the economy has taken several body blows that would have laid it out cold in past decades. This resilience reflects the transformation of the Old Economy, narrowly focused on several domestic industries, to a more diverse New Economy shaped by technology and globalization."

The labor market has captured the economy's changing structure and its resistance to adversity. The jobless rate remains low (4.5% nationally, 3.4% locally) despite blows from the housing recession, higher long-term interest rates, mounting foreclosures, and three-dollar a gallon gasoline prices.

Most economists are expecting the housing recession to remain confined to the housing sector enabling the national economy to grow at an annualized rate of 3%. Higher levels of capital spending and manufacturing output in the business sector should absorb a yeoman's share of the fallout from the housing slump. Consumer spending also appears to be rallying. Consumers are getting plenty of buying power from the income generated by strong job markets and from wealth gains coming from rising stock prices. Together these positive economic forces should curtail the dampening effects of the housing recession and keep the national economy chugging along during Fiscal Year 2008 at a 3% clip. However, the ranks of the unemployed are on the rise in Broward County despite a very low unemployment rate (3.4%, up from 2.9% in May). Job losses were spread across the local

economy, not just the housing sector, sending an "early warning" signal that the housing recession may be having a larger negative impact locally than on a national level.

Normally, a modest growth rate of 3% in GDP should relieve worries about inflation and interest rate hikes by opening up some spare production capacity to keep inflation in check. The very low jobless rate of 4.5% indicates that may not be happening.

All eyes will be on the Federal Reserve policymakers as we enter Fiscal Year 2008. The Fed appears to be in a quandary. It cannot lower interest rates for fear that tight labor markets will generate inflation, but it cannot raise rates to curb wage and price pressures for fear of worsening the housing recession and possibly sinking the economy, especially in South Florida. How long the Fed can remain on the sidelines remains to be seen.

For now, the outlook for the economy, including our local economy remains modestly upbeat. We have planned and budgeted accordingly through this Business Plan.

Land Development Trends

Residential Properties

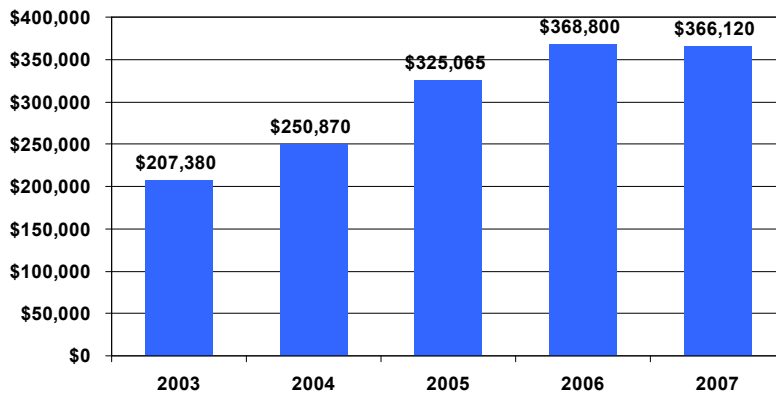
Some have euphemistically referred to the South Florida housing market as "sluggish" (*The Miami-Herald*, June 26, 2007). The number of single family homes sold plunged 34% and condo sales declined by 29% in the past year (source: Florida Association of Realtors). Whether coincidence or not, housing sales in Broward County began to slide following Hurricane Wilma and have yet to reach their pre-Hurricane Wilma vigor.

The sluggish housing market is not confined to South Florida. Statewide, sales of existing single-family homes fell 34% from a year ago while condominium sales dropped 28%. By comparison, the sale of existing single-family homes is down just 2% nationwide. In a recent *Wall Street Journal* survey of economists, 30% of economists said, "weakness in the housing market" is the biggest risk looming over the U.S. economy in the next 12 months (*Wall Street Journal*, July 2, 2007). A weak housing market was the risk most often mentioned in that survey.

The median price for an existing home has started to decline locally. Due to the glut of

Single Family Home Median Sale Price Dropped in 2007

(MLS Sales Figures for Jan-May in Broward County)



housing stock, the median sale price for an existing home in Broward County fell by \$2,680 or 1% to \$366,120 in the last year. Despite this downturn in sale price, Florida remains one of the leading states in terms of cost of housing. According to the U.S. Department of Commerce, Florida's Single Family Home Price Index jumped from 152 in 1990 (base is 1980 = 100) to 445 by 2006. Only California, Hawaii, Washington DC, Maryland, Delaware, and New Hampshire have a higher Single Family Home Price Index than Florida.

Existing condominium prices declined 1% statewide compared to a 6% decline for the Fort Lauderdale Metropolitan Statistical Area (MSA). The existing condominium median sales price last January for the Fort Lauderdale area was \$199,200 down from \$211,500 in January, 2006.

A number of factors affect the sale of homes including:

Mortgage Rates: The 10-year treasury bond yield drives mortgage rates. Thirty-year fixed-rate mortgages are hovering around 6.5% which is a little more than half a point above the low 5.82% rate in 2003. Several factors, including the prospects for tighter monetary policy in response to wage and price pressures, may cause mortgage rates to climb which, in turn, will lead to a continued cooling-off of housing activity and prices.

Some experts argue a 2% increase in mortgage rates may send the South Florida housing market into a tailspin, led by the collapse of the condo sub-market. Many experts caution that the condo sub-market is most vulnerable given the

significant presence of speculative buyers. They predict that substantial price corrections, 20% or more, may result in order to restore market equilibrium. Fortunately, condos account for only 27.8% of our housing stock and only 19.9% of taxable values.

Economic conditions:

As prices rise for other goods and services, e.g., energy, health care, tuition, prospective home buyers have less money to spend

on housing. This is especially troublesome in South Florida where the local Consumer Price Index (CPI) is significantly higher than the CPI for other U.S. cities. The Fort Lauderdale MSA Index, of which Coral Springs is a part, is 4.7% compared to 2.5% for other cities.

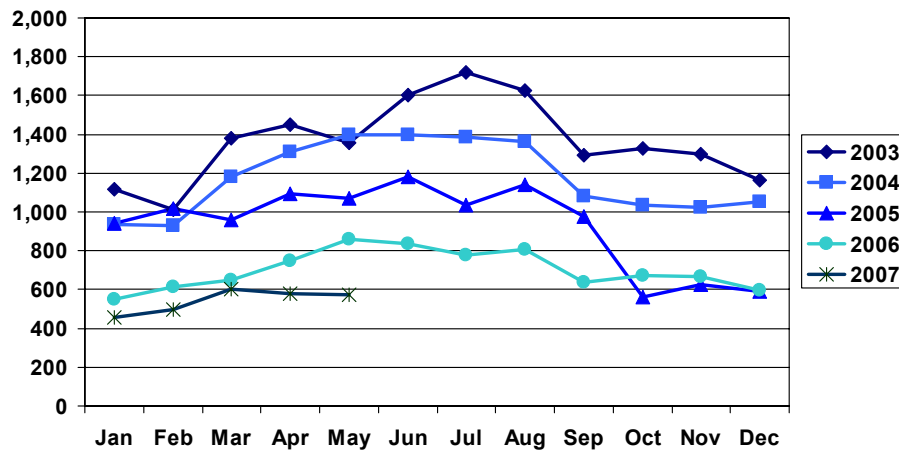
Tax Law: Current Save Our Homes laws have also contributed to this slow down by creating property tax "sticker shock" for homesteaded property owners looking to move. Homesteaded property owners are unwilling to move out of

Consumer Price Index (May - June, 2007)

City	CPI Increase
Miami-Ft Lauderdale	4.4%
Chicago	3.6%
San Francisco	3.4%
Atlanta	3.2%
Los Angeles	2.9%
National Average	2.7%
New York	2.5%
Philadelphia	1.6%

Note: Figures cited in this table are for May-June, 2007 only, while figures cited in the text are for the previous 12 months.

Number of Single Family Home Sales (Broward County) Declining



coffers but could also threaten the aesthetics of the community. The Administrative Citation

Program has been put into play to, in part, address expected code violations brought on by mounting foreclosures.

New construction of apartments dropped again

houses that no longer serve their needs because losing their homestead exemption means doubling or even tripling their property taxes.

Buyers are also sitting on the sidelines awaiting the results of the January 29, 2008 referendum regarding the "super-exemption" constitutional amendments. This wait and see posture has caused further reductions in housing activity. Our financial strategy and budgets assume the referendum will pass.

Property Insurance: The cost of homeowner's insurance has skyrocketed because of recent hurricanes.

Although the State Legislature and the Governor have promised property insurance and property tax relief, many economists are dubious that the latest effort will have any real impact on the real estate market. To the contrary, with less than expected relief for homesteaded owners and little real relief for non-homesteaded owners, tax payers are choosing to leave the state rather than wait any longer. In fact, for the first time in more than 40 years, more people are leaving the state of Florida than are entering. Coral Springs, for example, lost 543 of its nearly 130,000 residents over the past year. This is a signal that the area's high cost of living is making it less attractive to younger families.

As housing prices continue to self-correct, and as personal incomes pick up, more homes should become affordable to the average family home buyer, easing the affordable housing crisis in South Florida. Many experts, however, expect this market correction could take up to two years. In the meantime, increased foreclosures, declining appraisal values, and decreased housing turnover could affect not only the City's

with only 293 new units completed in all of Broward County during 2006. Marcus & Millichap (a real estate advisory firm) predicts a very tight 3.6% vacancy rate and a 5.6 % rental rate increase in 2007. Coral Springs lost around 3,500 units in professionally managed rental units due to condo conversions between 2003 and 2005. We expect many of these condo conversion units to return as rentals in Fiscal Year 2008 as investors rent unsellable units.

In Fiscal Year 2007, previously permitted developments in Heron Bay Commercial, Village Green, Riverside Villas, and Capri Isle will add 134 condos, apartments and townhouses to Coral Springs. The high-density development for the Country Club Golf Course, with 168 units, has been delayed, which caused our Lift Station Rehabilitation project to be delayed until Fiscal Year 2008. Also, the townhouse project at Coral Ridge and Wiles, Kensington Square, with 145 units, has been pulled off line.

In response to the high prices in Fiscal Year 2006, the City passed an affordable housing ordinance that requires developers of new housing units to set aside 10% of the units at prices affordable to families with a household income no greater than 120% of the median household income in Coral Springs. The developer may contribute funds to the Affordable Housing Trust Fund rather than set aside the units. In the absence of major housing developments, the recently established Affordable Housing Trust Fund has not received any contributions to date. Affordable housing initiatives, including Workforce Housing: Affordable Housing for Teachers are, therefore, delayed.

For the first time in more than 40 years, more people are leaving Florida than are moving to the state.

In Fiscal Year 2006, homeowners changed their spending pattern from home renovation to home repair in response to the damage from Hurricane Wilma (October 2005). Initially the number of building permits issued climbed dramatically but has steadily declined. This will affect the City in two ways. First, the revenue from building permits is directly correlated to the number of permits issued. Second, on the heels of the increase in building permits will be a dramatic increase in the need for building inspections which are not revenue producing.

Population Trends

For the first time ever, the population of the City has shown a minimal decline. Census data show a decrease of just over 500 people from 2005 to 2006. This is in line with recent reports that for the first time, more people are leaving Broward County than entering.

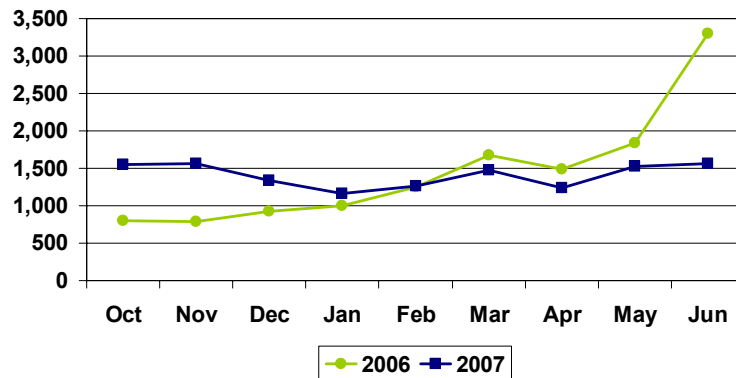
The combination of factors described above, particularly the sluggish housing market, the lack of vacant residential land in South Florida, as well as a reduction in domestic migration likely contributed to this decrease. Until the housing market recovers, we do not expect an increase in population. This may have a small impact on state-shared revenues as discussed in the Property Tax Legislation section. It has already had an impact on school enrollment. Like most communities throughout the County, Coral Springs has seen an overall decrease in students in our public schools last year.

We expect a population estimate for 2007 in August from the University of Florida Bureau of Economic and Business Research.

Mixed-Use Property

Mixed-use property is residential combined with other uses such as office and/or retail. In Fiscal Year 2007, the first mixed-used property in the City's history will be partially completed with 42 townhouses and retail/commercial space at Heron Bay.

Number of Building Permits Are Decreasing to Pre-Wilma Levels



No announcements for mixed-use development are expected during Fiscal Year 2008 as the townhouse condominium submarket will continue to go through a market correction throughout South Florida.

Downtown Coral Springs

Downtown Coral Springs is the City's largest mixed-use project. The Downtown Development of Regional Impact (DRI) encompasses 4.3 million square feet of mixed-use development including residential, commercial office, retail, entertainment and other related uses. Phase I (One Charter Place) was completed in the spring of 2007 with client occupancy currently underway.

With Publix Corporation's announcement that it intends to remain at its current University Drive/Sample Road location, more detailed design can move forward on the Northeast Quadrant. Although the development of the Northwest

Building permit revenues are expected to decrease as hurricane repairs near completion



One Charter Place.

Quadrant is complicated by the uncertainty of City Hall improvements, development planning on the remaining three quadrants can continue. The final decision regarding which quadrant will be developed next remains to be made. Again, the plans for Phase II are not expected to contain residential development that will be constructed within the next two years due to poor market conditions.

Single-Use Commercial and Industrial Properties

On the bright side, retail, office and industrial markets exhibit strong demand as validated by occupancy rates in all three categories of 95% or greater. Coral Springs continues to head toward complete build out on single-use commercial and industrial properties. In Fiscal Year 2007, 18 buildings will receive certificates of occupancy for a total of 830,474 square feet. In Fiscal Year 2008 almost 500,000 square feet is anticipated to receive certificates of occupancy on 13 properties. Strong value-added economic activity outside the housing sector continues to diversify our local tax base making our budgets less recession sensitive.

Seventy-nine acres of vacant industrial zoned land remains in the Corporate Park. An anticipated 339,738 square feet will receive a certificate of occupancy in Fiscal Year 2007. New commercial and industrial developments are frequently sold as office condominiums. The Whispering Woods Center on Wiles Road and Titleco II in the Corporate Park are two examples that received certificates of occupancy in Fiscal Year 2007. Almost 200,000 square feet (seven projects) are anticipated to be completed in the Corporate Park during Fiscal Year 2008.

Demolition of existing structures is a significant change to land development in Coral Springs. In Fiscal Year 2006, 79 demolition permits were submitted compared to 28 permits in Fiscal Year 2005. (Demolition permits can be for the entire building or the building's interior.) In Fiscal Year 2007, 32 demolition permits were approved. The buildings demolished were located in the Corporate Park, Turtle Run, Coral Springs University Drive and Coral Springs Village Green subdivision to make way for new redevelopment of the land at a higher density or better use. The demolition in 2007 included a majority of the Hawks Crossing Shopping Center for the new Super Target at Wiles Road and 441, and Publix at Sample and University, which will begin demolition in August 2007.

Redevelopment has become an increasing trend due to the lack of available vacant land. More than 1,000,000 square feet of commercial property

has seen redevelopment in recent years. Some examples include:

- Toys R Us to Best Buy
- Quadrangle to Coral Springs Animal Hospital
- Sears Life to Coral Springs Auto Mall
- Hops to Commerce Bank
- Winn Dixie to Wal-Mart Groceries (two locations)
- Albertsons to Office Depot and Laser Tag (Magnolia Plaza)
- One Charter Place formally Coral Springs Mall
- Hawks Crossing Shopping Plaza to Super Target and miscellaneous retail

Under the new rules of property tax reform, redevelopment is key to our ability to expand our tax base to cover increasing municipal expenses. The City will use land use-related incentives to encourage redevelopment projects that generate a positive fiscal impact on our General Fund.

Community Facilities and Public Art

City facilities have improved through the completion of the Sawgrass Nature Center, the art classrooms at the Museum, and the Public Safety Training & Technology Center. Religious institutions continue to expand with the addition of three campuses by 2008. With the exception of the art and music wing at the Charter School, no new or expanded school facilities are anticipated in 2007 or 2008. The Charter School will be used more extensively for our rapidly expanding University Partnership Program, offering classes toward undergraduate and graduate degrees. The first two public artworks on private development were completed at the Whispering Wood Center and Village Green Apartments during Fiscal Year 2007. The majority of property developers are contributing to the Public Art Fund that has resulted in four new sculptures on Sample Road and one in the Sportsplex. New contributions are reserved for major projects at the four corners in Downtown. A new mosaic now marks the entrance to the International Peace Garden at the Center for the Arts.

Ten artists and artworks were selected for temporary display on Sample Road during Fiscal Year 2008. Residents will also see the installations of new permanent public art at the corner of University Drive and Riverside Drive,

at the City Gymnasium, and an earthwork near the burrowing owl habitat at the new Whispering Woods Nature Area.

Emerging Issues

Green Initiatives/Sustainability

Over the past year, sustainability has become a much more visible issue and gained significant traction among local governments. Motivated in part by the desire to protect the environment, and in part by growing energy costs, this issue will continue to grow in importance over the next few years. We see opportunity in new technologies and techniques that can reduce our energy consumption. Several new initiatives are contained in this Business Plan to address this emerging issue.

Coconut Creek Casino Expansion

The Coconut Creek Casino, owned and operated by the Seminole Tribe, will undergo a major expansion in the next year. The Tribe has petitioned the Bureau of Indian Affairs to include approximately 50 acres of land owned by the Tribe into the Tribal "Trust." This action will allow the Tribe to place gambling operations on the entire parcel. The decision to allow the additional land to be added to the Trust will be made solely at the Federal level by the Bureau of Indian Affairs.

Concurrently, the State of Florida will be asked to approve a "compact" with the Tribe. The signatories on this compact will be the Tribe and the State. However, the State has asked for input from the County and affected cities before negotiating the compact. It is in this document that the affected cities should be given the opportunity to outline the impacts to their cities and the suggested mitigation. This compact is expected to be resolved by the end of 2007.

The City of Coral Springs has analyzed the impact on our City, and has advised the Regional Planning Council of the following needs:

- Our Police Department will require six additional Police Officers and two Traffic Accident Investigators at a cost of \$1,208,742.
- Our Fire Department will need 12 additional uniformed fire fighters at a cost of \$1,344,612.
- The final area of impact is traffic mitigation, which will require several projects. First, Wiles Road east of Rock Island Road will

need to be widened. University Drive needs to be extended to Palm Beach County. Traffic will increase on 441, Turtle Creek Boulevard, Sample Road, and other affected streets. There will also be additional costs related to increased maintenance needs of affected City streets.

During Fiscal Year 2008, the City must assess the impacts of the casino expansion and associated developments on our Downtown project to complement rather than compete with the Seminole Tribe's project, particularly in the areas of retail, entertainment and hospitality. Also, the Casino project calls for the development of a new theater. We will strategize during Fiscal Year 2008 as to how our theater can remain competitive in the marketplace given this added competition.

University Drive Extension

The extension of University Drive, whether "the wedge" property is annexed by Broward County or not, remains an issue which will require attention. Efforts to change the existing plan at the state level are expected to continue. The City's position remains constant; University Drive must be extended to Palm Beach County along the reserved right-of-way. This is the best alignment to relieve traffic congestion, provide timely emergency responses and to facilitate evacuation.

City Hall Improvements

Existing City Hall facilities are inadequate to service the needs of our community. Staff will explore the financial feasibility of several development strategies for expanded City Hall



City Hall North.

facilities, including the expansion/renovation of existing facilities, a public/private partnership in Downtown and development of new facilities at the Mullins Park site.

Future Water Issues

Our drinking water comes from 19 shallow wells located around Coral Springs. Currently, Coral Springs residents use about 123 gallons of water per person per day. The amount of water that Coral Springs can withdraw from the aquifer is permitted by South Florida Water Management District (SFWMD). Our current permit allows for usage up to 8.69 million gallons per day (MGD). For the present, we are doing well in keeping within our allowable limits, however new development within Coral Springs is likely to cause our overall water usage to increase. We estimate that within ten years, we will need up to an additional 2 million gallons per day to meet our water usage requirements. SFWMD is aware that our water needs are increasing and has suggested that we construct a 2 MGD Floridian aquifer water supply. This proposal is referred to as an “Alternative Water Supply” (AWS). There are two problems with this solution. One is cost, which could be as much as \$26,000,000. The other problem is the availability of land on which to build a treatment facility.

We can also choose to pursue other alternative water supply projects. Depending on final cost and feasibility, there are several ideas we may choose to implement:

- Conservation
- Desalination of saltwater and brackish water
- Increasing water storage capacity
- Reclaimed water (recycling wastewater for use in irrigation or to recharge the aquifer)
- Partnering with neighboring communities to implement any of the above ideas.

The City’s approach will be to emphasize conservation first and foremost. A new rate study has just been released which encourages conservation by implementing a new “tiered” rate structure. The tiered rate structure is a volume based charge that provides an incentive for customers to use less water. In addition, an initiative for conservation is included in this Business Plan.

Regionalization of Fire Services

There has been talk at the state and local levels during this year about the regionalization of fire services. Theories have abounded about how to



Entrance sign to the Corporate Park of Coral Springs.

provide high quality fire and emergency medical services in light of cities' reduced ability to fund them. Some have talked of expanding sub-regional fire partnerships (similar to the Coral Springs/Parkland partnership or the Coconut Creek/Margate partnership). Other discussions center on a countywide approach. Coral Springs will oppose any efforts to set countywide standards which do not allow cities the flexibility to meet the particular needs of their own residents as those needs dictate.

Competitive Environment

In alliance with the Coral Springs Economic Development Foundation (EDF), the City has attracted 117 new businesses, assisted in the expansion of 19 others, and retained five more since 1993. As can be seen in the results from the annual business survey, the City's business and family friendly atmosphere are the main reasons we are able to retain existing businesses.

Based on personal interviews, the principle factors that determine our success in attracting new businesses to the City relative to our competitors include the quality of life (as evidenced by our selection as one of the "Top 90 Best Places To Live"), the reputation of the City as well-managed and business-friendly, proximity to major transportation corridors (air, rail, and highway), existing technology infrastructure, an educated workforce, cleanliness of the City, and excellent public safety and emergency preparedness. Not to mention the South Florida locale! In addition, retail outlets and restaurants are attracted to our growing pedestrian-friendly, mixed use properties.

In the past, strict signage codes were a deterrent to relocating businesses. Working with citizens and business owners the City introduced a revised sign code in 2006 that was acceptable to commercial property owners without jeopardizing the aesthetics so important to residents.

There are two reasons non-retail businesses choose to locate in neighboring cities rather than Coral Springs. First, restricted or limited size of facility can deter businesses from moving to our City. With just 79 acres remaining in the Corporate Park, we are looking for the best opportunities for our park to complete build out prior to entering into redevelopment of the area south of 39th street.

Second, some corporations have received lucrative incentives from other cities. Using our fiscal impact model and guidelines established by the city commission at the inception of EDF, we look very closely at the return on investment of any potential incentive offering. The City will encourage additional economic development through its Enterprise Coral Springs and its three business units; the Economic Development Foundation, Chamber of Commerce and Council of Executive Officers. More emphasis will be placed on small business development during Fiscal Year 2008 through the initiatives contained in this Business Plan and the Business Plan of Enterprise Coral Springs.

(Source: Coral Springs Economic Development Foundation (EDF) 2005 Annual Report and personal interviews by EDF staff)

Financial Strategy

Budgeting for Fiscal Year 2008 was made particularly challenging because the City was still recovering from the financial impact of Hurricane Wilma while planning for the inevitability of tax reform. The Legislature spent several months debating and proposing tax reform proposals that were radically different in their approach as well as their impact on cities, counties and all other taxing districts.

In a year marked by change and challenge, we were able to accomplish the following:

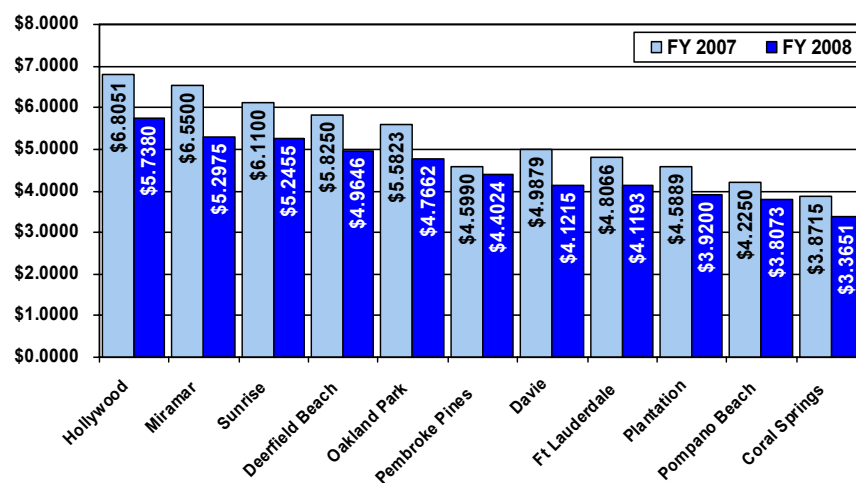
- Reduce the tax rate as mandated to a rolled-back rate plus a decrease of 5%. It is worth noting that our new tax rate of \$3.3651 mills is not just the lowest of all major Broward cities, but that **our pre-reform rate (\$3.8715 mills) was lower than the new rates of these same Broward cities.**
- We have once again reduced our Debt Service millage rate by a significant amount: from \$0.2134 to \$0.1774 – a 16.9% reduction. This

reduction is due to our continuing efforts to manage our existing debt as well as structure the repayment of the new debt for the Public Safety improvements in the most advantageous manner.

- By the end of Fiscal Year 2008, we'll be able to fully replenish our hurricane-ravaged reserves. This will be possible through a \$1 million appropriation made in the Fiscal Year 2007 budget, along with a new appropriation of \$1.9 million next fiscal year. When FEMA and Federal Highway Administration (FHWA) pay their share, which should be next fiscal year, **we will have replaced the entire \$6.5 million deficit in our emergency reserve fund.** This will enable us to remove the Guaranteed Investment Contract (GIC) reserves from the City's Financial Policy reserves and re-establish the two separate reserves as designated in the City's Financial Policies. The rating agencies were concerned about the draw down on our Financial Policy reserves during the previous year for Hurricane

Our 'pre-tax' reform Operating Millage rate is lower than the **new** rates of all other major Broward cities.

Operating Millage Rate Comparisons for Fiscal Years 2007 & 2008



Wilma. Subsequently, the City combined the remaining Financial Policy reserves with the GIC reserve to provide a level of comfort to the rating agencies and thereby maintaining our “AAA” ratings.

The passage of tax reform legislation has made the Financial Strategy more important than ever. The phased implementation of the legislation promises to make Fiscal Year 2009 equally challenging. Therefore, this year’s Financial Strategy will focus on equity funding capital requirements, replenishing emergency reserves, and positioning ourselves for additional property tax cuts in Fiscal Year 2009.

Response to Property Tax Legislation

The City’s Strategic Planning Process identifies emerging issues that may affect our ability to provide the level and type of service our customers demand. To position ourselves to address these anticipated financial challenges and preserve our stable financial condition we have:

- Reduced debt service costs by maintaining a AAA rating;
- Paid down debt where possible to reduce future debt service costs;
- Refunded outstanding debt;
- Contributed to Police Pension Fund to restore funding levels after the 2001 stock market correction;
- Equity financed capital projects and vehicle purchases whenever possible;
- Invested in technology to increase productivity;
- Not accepted grant monies to fund recurring operating expenses; and
- Used five-year forecasting to predict the impact of today’s financial decisions on tomorrow’s bottom line.

These general guidelines have served us well over the past 10 years and contributed to our stable financial footing. In the Fiscal Year 2007 Business Plan, we realized that tax reform was an imminent threat, and took more specific action to prepare. For example, while property tax revenues rose by 14% in Fiscal Year 2007,

the City used only a portion of that increase for ongoing operating expenses. We used \$1 million to replenish our emergency reserves depleted by Hurricane Wilma and another \$0.5 million to subsidize the Fire Fund, preventing the fire assessment fee paid by all residents and businesses from rising precipitously.

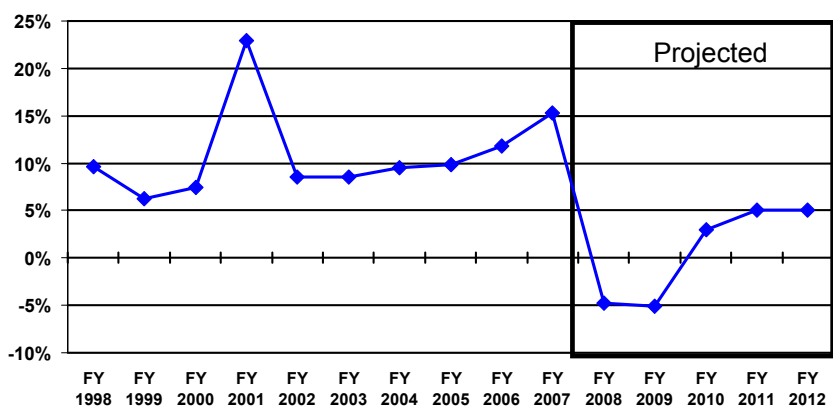
With the passage of the tax legislation in June, it became clear the statutory provisions of the proposed legislation would reduce the City’s Ad Valorem revenues by \$3.5 million in 2008. In addition, the adoption of the “super exemption” will cost the City an additional \$3.25 million in 2009 bringing the total direct cost to approximately \$6.75 million the same year.

Rather than make cuts to address the loss of revenue in 2008 then make another round of cuts to address the loss of revenue in 2009, the City decided to make as many cuts as practicable in 2008 to position itself for a fresh start in 2009. The Senior

Cost Cutting Measure Highlights

Budget Cut	Amount Saved (GF only)
Past changes to Health Insurance Plan	\$500,000
Current changes to Health Insurance Plan	\$200,000
Eliminate 11 full-time vacant positions (in GF) and reduce part-time by over 25,000 hours	\$1,200,000
Eliminate the General Fund subsidy of Fire Fund	\$500,000
Eliminate City support for West Atlantic Library	\$313,000
Adjustment to Fleet Replacement Program	\$250,000
Renegotiate PFM and Museum subsidy	\$165,000
Reduce Non-Departmental spending	\$220,000
Reduce overtime (all GF departments)	\$100,000
Additional miscellaneous cuts	\$260,000
Total	\$3,708,000

Growth Rate in Property Tax Revenue



Note: The sharp increase seen in 2001 was caused by a court-mandated change in EMS funding sources.

While overall
departmental
expenditures declined
by 0.6% between
2007 and 2008, the
Police Department
budget increased
by 0.5% and the
EMS budget
increased by
1.4%.

Management Team considered cost savings ideas and service level input from all stakeholders in its June 20-21 retreat. During that retreat, the Senior Management Team was able to identify approximately \$3.7 million in expenditure reductions. Some of the more significant cuts are outlined in the “Cost Cutting Measure Highlights” table.

To address the probability that revenues will be cut once again in Fiscal Year 2009, we have budgeted a \$1.9 million contribution to our emergency reserves. In a classic win/win transaction, we will be able to replenish our emergency reserves by Fiscal Year 2008. At the same time, by not spending this money on ongoing operating costs this year, we will have \$1.9 million less to cut next year. Other measures will also help to soften the blow. For example, a biennially scheduled increase in user fees will coincide with next year’s budget.

Although our residents will see a decrease in their property tax bills, increases in other non-tax revenue sources will help offset the \$3.5 million lost in property tax revenue. The result will be a \$92.7 million Fiscal Year 2008 General Fund budget which is nearly equal to the Fiscal Year 2007 General Fund budget. Thus, our challenge this year has been to balance the budget with a zero percent increase over last year’s budget. While this may not sound like much of a challenge, the cost of providing City services typically increases by 4-5% a year due to normal increases in the cost of energy, asphalt, building materials, computers, salaries and benefits, etc. In fact, at 4.4% South Florida has the nation’s highest Consumer Price Index (see Consumer Price Index chart in Market Environment section). In other words, our budget would need to increase by 4.4% just to keep pace with inflation. Not allowing the budget to keep pace with inflation is equivalent to more than a \$3.7 million dollar cut in the City’s budget.

Effect of Tax Reform on Departmental Budgets

Several changes were made during the budgeting process that allowed us to cut every departmental budget in the City . . . in some cases very significantly. The first was the decreases in budgeted amounts for health care. While over the past several years we have budgeted 12-13% annually for health care inflation, this year we were able to **cut this expense by 7.4%.**

This was accomplished through a combination of realizing the effects of changes made in previous years that limited growth increases (approximately \$500,000 in the General Fund) and from the results of an employee focus group that recommended several plan modifications that are expected to reduce costs by an additional \$250,000 (\$200,000 of that cost in the General Fund).

Another change that benefited departments with vehicles was re-tooling our Equipment Replacement Fund. Through a combination of changing the useful lives of some of our vehicles, and by recognizing the excellent pricing that we’ve been able to secure in recent years on our equipment, the depreciation charged to each department was reduced by an average of 8.5%.

All departments, across the board, trimmed their budgets as much as possible. Some, like Parks & Recreation, were able to cut a few positions, as well as some part-time hours. These cuts will require a reorganization, but will not result in reduced time with customers.

The budget for the Police Department went up by \$169,000 and the Fire Department budget increased by \$106,000. Budgets for all other General Fund departments were down by a combined \$700,000. Escalating pension costs, as well as the cost of keeping officer’s pay within the top quartile are the key drivers of the cost increases in the Police Department. The first full year of costs for the seven fire personnel hired for the second half of Fiscal Year 2007 to staff the City’s portion of the Parkland Partnership has contributed to the higher costs for the Fire Department.

Revenue Picture

Overall revenues, excluding property tax revenue, are anticipated to increase by 3% over the previous year's budgeted figures. These are mostly demand driven revenues, such as utility taxes, franchise fees, licenses, permits and charges for services. Due to a downturn in economic conditions, however, state intergovernmental revenues from sales tax and shared revenues are not expected to increase.

Modest increases are projected to occur in electric franchise fees (6.76%), solid waste franchise fees (6.55%), and the local option gas tax (4.57%). Another important revenue source is electric utility service taxes. Unlike the electric franchise fees, which are based on total receipts, the service tax is based on consumption. As we continue to experience higher costs for electricity, customers will begin to conserve thereby reducing electric utility tax receipts. Therefore, we predict electric service tax revenues to increase by just 2.13% in Fiscal Year 2008.

Since much of the growth in building permit revenues in 2006 and 2007 was due to hurricane-related repairs, we do not expect the strong growth in building permit revenues from the past two years to continue. We do, however, still expect healthy growth in building permit revenues (11.7%) as residents begin to renovate the City's older homes. Recreational service-related revenues are expected to increase by 7.15% due largely to increased interest in

recreation, aquatic, and tennis center offerings as well as increases associated with concession contracts. In addition, interest income (42.86%) is growing more rapidly than expected. This is due to increased reserves (investable funds) and higher rate of return on investments.

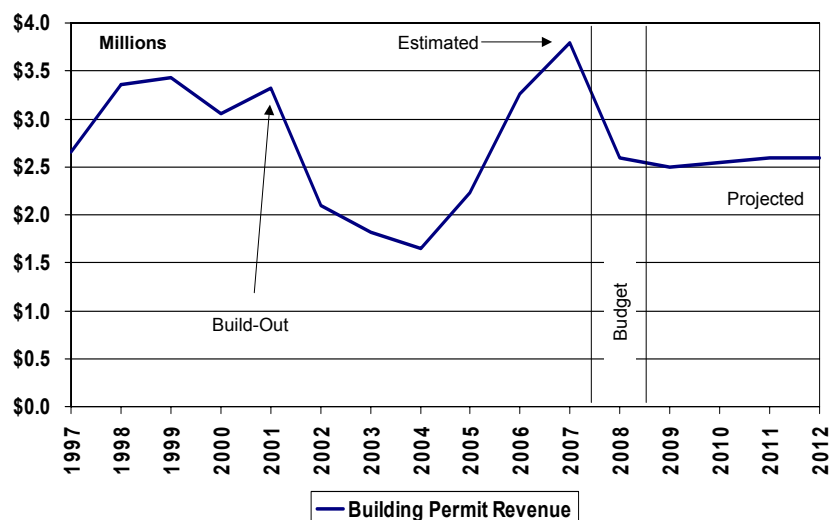
In addition to property tax and state shared revenues, several other revenues are expected to decline. For example, we expect tax revenues from the water utilities to decrease by 5.62% as result of reduced consumption during the extended water restrictions. Furthermore, EMS transport fees are expected to decline by 9.3% due to the increased proportion of Medicaid/Medicare transport patients as well as legislated changes to the reimbursement process.

We believe all tax revenues will increase by just 3 to 3.5% in the near term due to several factors including Phase II of the property tax legislation, reaching build out, the market correction in the residential market and other economic factors.

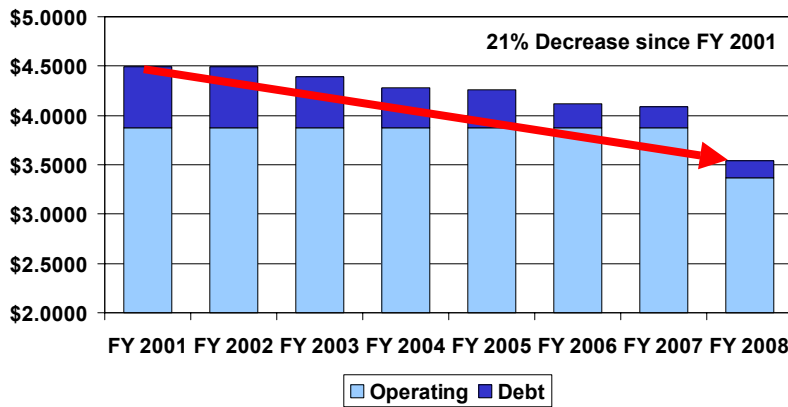
Management of Debt and Equity

We are recommending a decrease in the Debt Service millage rate from \$0.2134 to \$0.1774, a decrease of 16.9%. This is inclusive of the voter approved \$13.5 million General Obligation bonds that were issued last year for Public Safety Improvements. With the application of \$290,000 from Debt Service fund balances, it is possible to balance this fund with the recommended 16.9% decrease. This will be possible without increasing the debt service millage in future years, absent additional voter approved debt.

Building Permit Revenues Expected To Level Off



Combined Millage Rate Declining



A steadfast policy the City has always employed in its Business Plan is to aggressively watch the market for opportunities to leverage its “AAA” bond rating. We also seek opportunities to take advantage of declining interest rates and utilizing excess funds to equity-fund our capital needs.

Over the past two years, the Federal Reserve has increased the Federal funds rate 17 times, bringing the targeted rate from a low of 1% to 5.25% and has indicated that it will continue to monitor over the next quarter or two if warranted to control inflation.

In view of this, it is of the utmost importance that the City evaluates its debt structure and establishes a plan of action to reposition itself. While keeping a watchful eye on the market,

one plan of action would be to restructure our variable rate debt back to a fixed position thereby eliminating any upside interest rate risk. Given the Fed’s recent policy to put a hold on any changes in the Fed funds rate and monitor the economy, it is a wait and see situation.

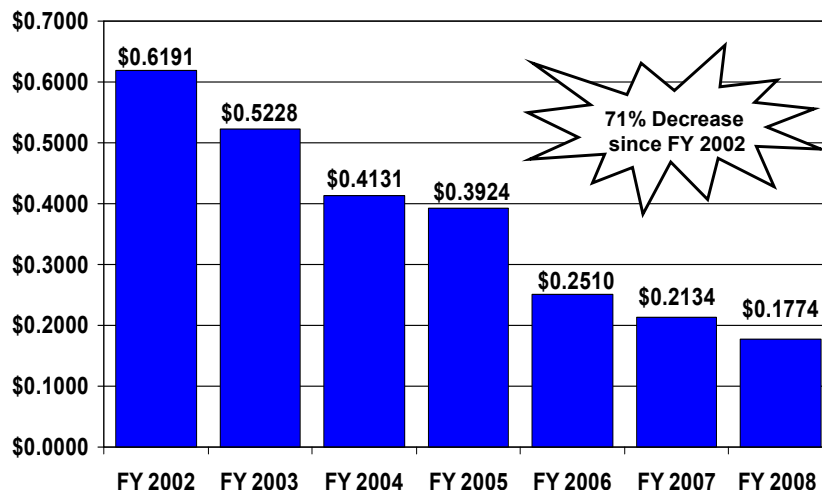
Presently, the two variable rate debt issues the City holds in its portfolio are in very favorable positions. The \$6.7 million Series 2002B bonds are at an interest rate that is approximately 125 basis points less of what a fixed rate bond would carry in the market place today. That’s an annual savings of about \$85,000.

The \$38.5 million Series 2001A is a fixed rate instrument that was swapped into a variable rate position. It matures in May 2011 but can be called in May 2008 by the counter party, J.P. Morgan. If it is called before maturity it would revert back to the fixed rate of 4.6750% until it matures. In its variable rate form, the series still generates a savings of approximately \$453,000 annually.

Fiscal Year 2008 Capital Improvement Program (CIP)

The total CIP for Fiscal Year 2008 is \$13.2 million. It derives its funding from various types of grants, operating funds, impact fees, Public Art Fund, Tree Trust Fund, repair and replacement funds, Revenue Bonds, and equity. For Fiscal Year 2008, the City will continue to fund its General Fund capital needs as presented

Decline in Debt Service Millage Rate



Sources and Uses of Funds for the Financial Strategy

Sources of Funds:

General Fund	
FY 2008 Appropriation	\$1,900,000
FY 2007 Budget Surplus	<u>1,500,000</u>
	\$3,400,000
CIP Fund Surplus	879,000
Fleet Replacement Surplus	1,000,000
Resource Recovery Distributions:	
Redistribution Bond Proceeds	500,000
Excess Reserves	770,000
Total Sources	\$6,549,000

Uses of Funds:

Capital Improvement Program	
General Fund	\$3,879,000
Replenish Financial Policy Reserves	1,900,000
Raw Water Well Rehab	770,000
Total Uses	\$6,549,000

in the “Sources and Uses of Funds for the Financial Strategy” table. You will note the commitment of \$1.9 million to rebuilding our Financial Policy reserves. This is the second year of our plan to replenish our reserves within a three to five year period.

Approximately \$3.9 million in capital will be funded with equity derived from undesignated surplus funds. Using this option will avoid additional debt service expense of approximately \$1.5 million in interest expense over a fifteen year period. Not included in the \$3.9 million capital program is \$800,000 to replace the grass playing field at Aiello Field with artificial turf. The project will be funded through a low interest loan from the Florida Department of Environmental Protection. We will also pursue a grant from the National Football League for partial funding of this project.

An additional source of funding that is not an ongoing source of revenue are the monies received from the County Resource Recovery

Board. This year the City received \$1,200,000 in excess reserves and \$500,000 is anticipated in redistributed Bond Proceeds. Each year any amount exceeding a cap of \$50 million in reserves is shared among the member cities based on their tonnage contribution. The redistributed bond proceeds are a share of the savings achieved through the refinancing of the County debt on the facility which is distributed to each member in a like manner (approximately 9%).

This year, \$800,000 from this source was applied toward equity financing the current year’s Capital Improvement Program. An additional \$770,000 was received over and above our projections and has been designated in next year’s “Sources & Uses” Strategy to be used for rehabilitation of our raw water wells.

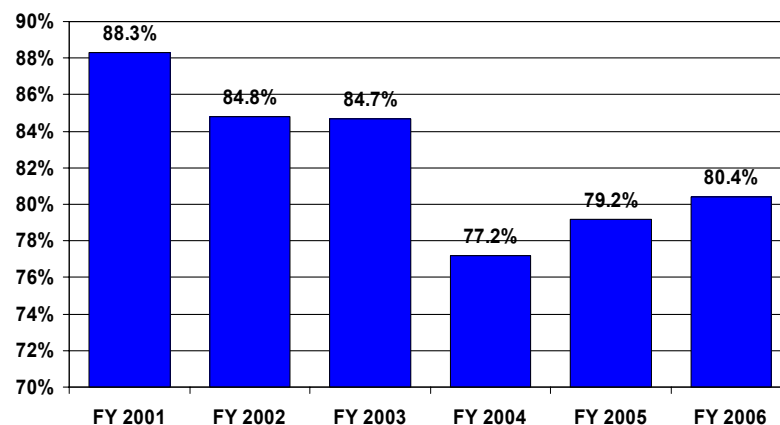
A new contribution of \$500,000 is expected next year in redistribution of bond proceeds, and this amount will be used for equity-funding General Fund capital outlay.

Pension Status

The Public Safety Pension Funds continue to show investment appreciation over the last three years. The Police pension fund’s actuarial value of the fund’s assets has increased by \$19.5 million or 35% over the last three years, resulting in an increase of the funding level of the plan of 80.4% overall.

As reflected in the Police Pension Funding Level chart, a significant decline occurred in Fiscal

Police Pension Funding Level Is Recovering



Year 2004. This was the effect of the decline in the stock market from Fiscal Year 2001 to 2004. The Fund's actuary employs a three-year smoothing technique on the gains and losses to mitigate the financial impact of any single year on the Fund's position. Had this technique not been employed major declines in the funding level would have appeared earlier in Fiscal Years 2002 through 2003.

In order to maintain the City's financial policy of a funding level of 85% for its Pension Fund, the City increased its contribution level by 367% from Fiscal Year 2002 to 2004 to reverse the declining trend. It is anticipated that the 85% funding level will be achieved by Fiscal Year 2009.

In Fiscal Year 2008, the City will contribute \$4.7 million to the Police Pension Fund from the General Fund, up from a budget of \$4.2 million in Fiscal Year 2007.

The Firefighter Pension Fund continues to show improvement. Its investment yield was 9.6% in Fiscal Year 2006 as compared to 11.98% in the preceding year. The funding level of the plan has increased 295% since its inception in Fiscal

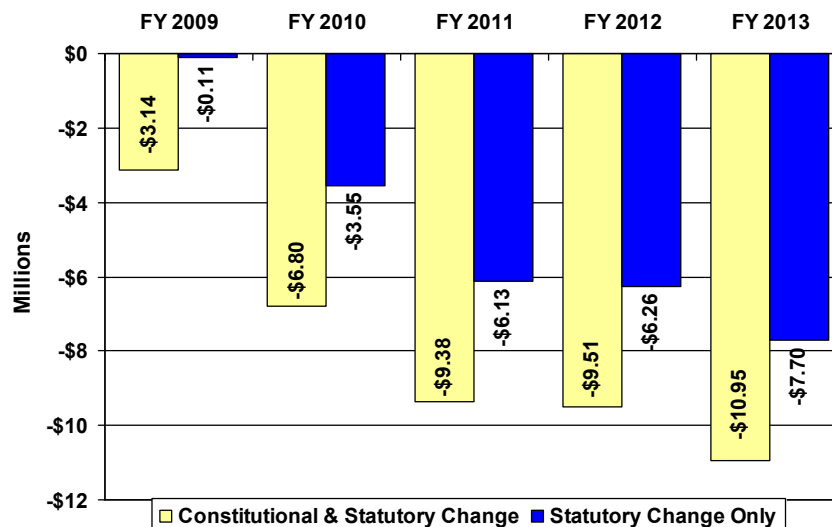
Year 2002 from 16.8% to 66.3%. The significant increase in the funding percentage of the plan is largely due to the transitioning of the Fire Department from a volunteer department to a paid full-time career department. The City's contribution for Fiscal Year 2008 will be \$1.6 million as determined by the actuary, up from the budgeted \$1.5 million this fiscal year.

Other Post-Employment Benefits

GASB, the agency that promulgates the accounting policy for municipal government, is requiring the implementation of GASB #45. This policy requires the recognition of other post employment benefit (OPEB) expenses to appear in the financial statements of the City effective in Fiscal Year 2009. Post employment benefits are those benefits that the City provides or makes available to its employees after they retire or terminate from the City's employment ranks. Our post employment benefits only consist of health benefits.

An actuarial report was completed this year to determine the City's present obligation. The results indicate that annual contribution of approximately \$1.3 million is required and

Five-Year Forecast - General Fund Only Impact of Tax Reform's Constitutional Provision



Note: This chart is for planning purposes and illustrates the potential shortfalls the General Fund could face if no positive action is taken. By Florida law, the proposed budget will be balanced. Financial Strategies will be formulated to address future year shortfalls and will be included in the Fiscal Year 2008 Business Plan.

that the total unfunded liability is around \$10 million. Since implementation is not required until Fiscal Year 2009, it will not be included in the financial statements until then. However, to position ourselves in a fiscally responsible manner, \$600,000 has been included in this year's business plan to build toward this major financial obligation.

Another actuarial report will be undertaken in Fiscal Year 2009 to recalculate the up-to-date obligation including the pre-funded amounts for the year of implementation.

Five-Year Forecast

The Five-Year Forecast is an integral part of planning the City's future financial strategy. It is a strategy we use to determine the level of risk we face over the next few years, in our ability to pay for the services we provide if we take no action to increase revenues or decrease expenditures.

Revenues are projected at conservative levels over the period and are compared to estimated cost increases in payroll, operating expenditures, and capital outlay. Since many of our expenditure increases are fixed and predictable, the main variables are the rate of increase in existing revenues and new programs or projects planned over the forecast period. Typically, future years show a deficit of revenues over expenditures. **The purpose of this financial exercise is to adequately prepare for future challenges, so it is always conservative in outlook.** As we map out our financial and operating strategies, we use the model to determine the potential impact of decisions. Using this tool helps keep us focused on long-term solutions, rather than short-term "fixes," which could lead to negative financial impacts in future years.

As described earlier, property tax legislation will proceed with a statutory rolled-back rate in Fiscal Year 2008 and a constitutional amendment will be presented to the voters that will alter the Save Our Homes Amendment, if approved. The constitutional change would affect the Fiscal Year 2009 budget. We have used the five-year forecasting technique to estimate the impact of the legislation on the budget beyond Fiscal Year 2008.

As a starting point, we have balanced the Fiscal Year 2008 budget. The impact of the constitutional provision of the legislation on Fiscal Year 2009 through Fiscal Year 2013

budgets is clearly evident in the Five-Year Forecast chart. We estimate the City will experience a deficit of \$3.1 million in Fiscal Year 2009 if the statutory and the constitutional provisions of the legislation become a reality. If, on the other hand, voters do not approve the constitutional provision of the bill the Fiscal Year 2009 budget deficit would be just \$113,000. Moving forward, we can see the compounding effect of the constitutional change on the City's budget.

The Five-Year Forecast figures prominently in reviews of our financial condition and has been praised by the Wall Street rating agencies as a practice that helps the City anticipate and prepare for future financial and economic challenges.

Financial Policy Reserves

The total cost of the City's recovery from Hurricane Wilma was approximately \$36.5 million. Of this amount, the City's share was approximately \$11.25 million. Over \$9.5 million of those funds came from our emergency reserves, with the remainder provided by FEMA, the State, FHWA, insurance proceeds, Resource Recovery funds, and other sources. It is noteworthy that the City met this financial challenge without issuing costly debt, raising taxes, or charging a hurricane cleanup surcharge.

As mentioned earlier, the City's goal was to replenish its hurricane ravaged emergency reserve in three to five years.

We are confident we will be able to make our reserves whole by the end of Fiscal Year 2008. As shown in the table below, we set aside funds in our Fiscal Years 2007 and 2008 budgets to

Rebuilding Hurricane Reserves

Status of Financial Reserves –Start of FY 2007	(\$6,500,000)
FY 2007 Budget Appropriation	\$1,088,500
Projected '08 Beginning Deficit	(\$5,411,500)
FY 2008 Increased Contribution	(\$200,000)
FY 2008 Budget Appropriation	\$1,900,000
Net FEMA Reimbursements YTD	\$1,700,000
Needed to Restore Reserve	(\$2,011,500)
Expected future FHWA, FEMA, State Reimbursements	\$2,000,000

rebuild the reserve. In addition, FEMA has reimbursed the City \$1.7 million for costs incurred during Hurricane Wilma clean-up. Although the Financial Policy Reserves is projected to be about \$2.0 million short after taking these contributions into account, the City is still awaiting reimbursement from FEMA, the Federal Highway Administration, and the State in this amount. This reimbursement is expected by the end of Fiscal Year 2008.

User Fees

On September 7, 2004, the City Commission adopted Ordinance No. 2004-121, the Omnibus Ordinance that provided for the systematic increase in the City's "Administrative and User Fees." Included in the ordinance were user fees for Development Services, Building, Community Development, Zoning & Code Enforcement, Fire including Emergency Medical Services, Police, Parks & Recreation including the Gymnasium, the Aquatics Complex and the Tennis Center, Public Works, and Engineering.

The fee increases for Building Permits and Fire Inspection were to be phased in over three years beginning with Fiscal Year 2005 through Fiscal Year 2007. Thereafter, these fees will be increased October 1, 2008, using the Consumer Price Index (CPI) for all Urban Consumers. All other fees are to be increased biennially (if needed) based on the CPI.

It is the City's stated goal that user fees should be based on cost recovery. If possible, user fees should return 100% of direct costs and as much of indirect costs as practical.

In an effort to offset some of the loss of property tax revenues, several services that were subsidized by the General Fund will now be paid for by the user of those services. For example: the Code Enforcement Division will begin charging for lien requests (\$30,000); construction permitting fees will be based on Total Construction Value (TCV), rather than estimated costs (\$100,000); and the City will explore several options for enhancing transport revenues, which have not increased since 2004.

Annual Savings from the Financial Strategy

	General Fund	Water & Sewer Fund	Other Funds	Total
Debt Refunding & Retirements				
Prior Years	\$1,122,000	\$459,000		\$1,581,000
Debt Defeasance				
Prior Years	2,693,000			\$2,693,000
Cost Avoidance Measures				
Variable Rate				
Prior Years	1,166,000			\$1,166,000
Fiscal Year 2008	453,000			\$453,000
Equity Financing				
Prior Years	2,250,000		341,000	\$2,591,000
Fiscal Year 2008	390,000			\$390,000
Water & Sewer Prior Years		142,500		\$142,500
Water & Sewer FY 2008		77,000		\$77,000
Pay-as-you-go Financing				
Equipment & Computers				
Prior Years			744,500	\$744,500
Fiscal Year 2008			264,000	\$264,000
Total Annual Savings	\$8,074,000	\$678,500	\$1,349,500	\$10,102,000

Long-Term Financial Strategy

An important component of our long-term planning is utilizing all identified surpluses in all funds to pay for the following year's needed capital items. Each year, we carefully comb all of our funds to identify any surpluses. Instead of leaving those funds idle, or worse, spending them on ongoing operating expenses, we **invest** them in needed capital. With this investment, we avoid the issuance of debt and, therefore, ongoing debt service obligation.

Limiting the use of one-time revenues for one-time expenditures ensures that we are not falling into the trap of adding non-recurring revenues to support ongoing operations. This could quickly turn a balanced budget into a deficit situation. Thus, all one-time revenue sources are used only for one-time capital projects in our financing plan.

Another key component of our long-term planning is managing existing debt through refunding, retirement and defeasance of our variable rate debt. These astute debt management and cost avoidance measures save us \$4.3 million each year in debt service costs.

Yet another component is the depreciation program we employ to fund our vehicles and computers. This "pay-as-you-go" approach saves us over \$740,000 a year in avoided debt service costs. All told, the annual savings from our long-term financial strategy are now over \$10.1 million.

This \$10.1 million translates to almost \$1.01 mills in savings in our tax rate. That is, our tax rate would be \$4.37 mills rather than our actual \$3.3651 mills had we not employed these financial strategies for the past 10 years.

The City has in place strong financial policies that have created reserves for computer and fleet replacements, and for the retirement of a \$38 million Guaranteed Investment Contract in 2011. The fact that these reserves still exist is an indication of financial strength and flexibility in the face of significant hardship.

Emergency Management Funding

In Fiscal Year 2007, the City received special funding from the state and federal government to help defray the costs of damage from Hurricane

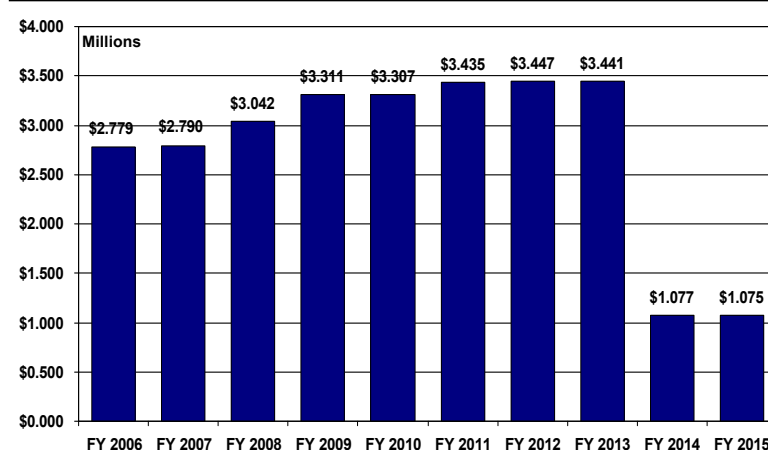
Wilma and to enhance our ability to respond to future terrorist threats or acts.

In Fiscal Year 2007, the United States Department of Homeland Security (DHS) awarded \$698,600 to the City of Coral Springs for the Urban Area Security Initiative (UASI). This money was allocated towards All Hazards Preparedness projects such as traffic control signals, an AM radio system and Emergency Operations Center enhancements. In Fiscal Year 2008, the City will apply to UASI for a generator for the Public Safety Training Center (\$150,400), personal protection equipment for Law Enforcement Officers (LEOs) (\$14,000), a Generator for City Hall South (\$85,000), a Mobile Joint Information Center (\$78,915), an emergency power source for the Coral Springs Firearms Training Facility (\$30,000), for Water Treatment Plant Security Improvements (\$73,345), and emergency generators for wastewater lift stations (\$60,000).

Water & Sewer Fund

Recommendations from a recently completed Water & Sewer Rate Study have been incorporated into the City's Fiscal Year 2008 Business Plan. The purpose of the study was threefold; first to address the growing expenses associated with operating the Utility since the last rate study was completed in 1997. These include the escalating cost of electricity (39% increase since 2004), chemicals (35% since 2004), and Broward County wastewater treatment costs (25% increase since 2004). Furthermore, the need to comply with changing regulations has posed a significant cost. In addition, the City must invest in capital to

Water & Sewer Fund Debt Service Payments



Note: Wrap-around debt for new \$10 million issue delays principal until 2014, when Series 1998 is paid in full.

enhance conservation in the water treatment process and distribution systems (Ten-Year Master Plan), as well as protect equipment from hurricane damage. In light of these mounting expenditures, the second objective of the study was to define a rate structure that would allow the utility to remain financially solvent and provide the revenue stream that will comply with the City's bond rate covenant ratio of 1.15% . In other words, there would be funds available to pay outstanding debt service after operating expenses with a 15% margin.

The final objective was to restructure rates to encourage conservation thereby avoiding costly Alternative Water Supply (AWS) projects. The South Florida Water Management District (SFWMD) allows the City to draw up to 8.5 million gallons per day (MGD) from the Biscayne Aquifer. Any water needed above this limit must come from AWS sources. To meet the SFWMD mandate, the City's water and wastewater consultant estimates a \$29 million dollar project. The sensible solution to avoid this AWS expense is to reduce our water usage through conservation.

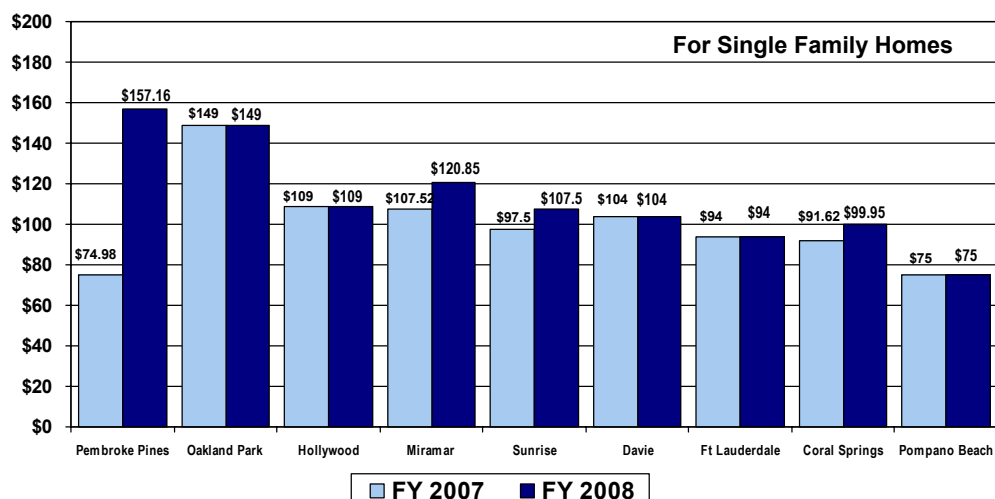
The current rate structure has a high base charge with two tiers: less than 8,000 gallons and more than 8,000 gallons a month. The new rate structure will lower the base charge for residential customers and establish a single volume rate for non-residential customers. The two-tier structure will be replaced by a multi-tiered, inclining five block rate structure that is delineated in 1,000-gallon increments for residential customers. This rate structure will give customers a price incentive to conserve

water. The typical residential customer currently uses between 7,000 and 8,000 gallons of water per month. It is estimated that the water bill for this typical customer will increase by 6.9% or \$3.19 per month, or less, under the new rate structure. At the same time, overall revenues for the Utility will increase by 15.2% allowing it to remain financially solvent and to preserve its "AAA" credit rating.

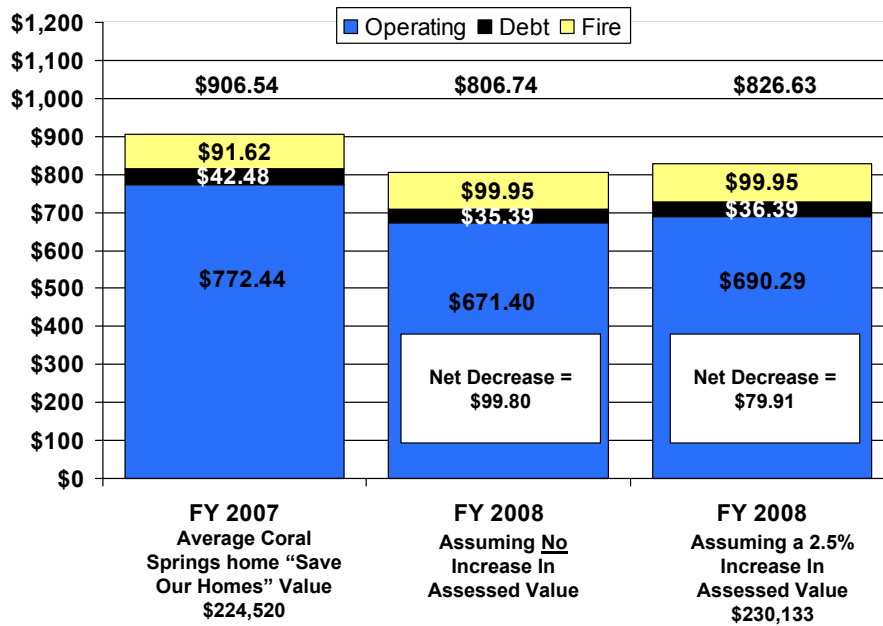
As contemplated in last year's Business Plan, a new debt issue would be marketed to finance the first three years of the recently completed Ten-Year Utility Master Plan. Originally that amount was to be \$17.1 million, however, after considerable analysis of all the requirements that SFWMD is mandating, it was determined that a focus on the conservation of water would bear a less expensive route in the enhancement of the Water/Wastewater Utility.

The capital requirements were reduced to a \$10.6 million financing plan for the first three years which is included in this plan. The debt structure will be wrapped around the existing debt of the 1998 and 2002 Refunding Bond Series until they are retired in 2013. This financing will be the only issue outstanding thereafter. At this point annual debt service requirements will decline from approximately \$3.3 million a year to just under \$1.1 million a year providing additional capacity to finance the remaining requirements of the Master Plan. Within the Business Plan, debt service is budgeted for \$266,375 a half year's payment. The issue will be marketed about mid-year when the funds would most likely be needed.

Fire Assessment Fee Comparison



Effect on the Average Homeowner



Note: Assumes value after resident claims Save Our Homes exemption of \$25,000.

Fire Fund

In Fiscal Year 2007, the General Fund contributed \$500,000 to subsidize the Fire Fund thereby keeping the Fire Assessment Fee artificially low. Due to the pressure from the recent property tax legislation, the General Fund is no longer able to afford this subsidy. In effect this represents a loss of revenue for the Fire Fund. The Fire Fund must absorb this loss by increasing the Fire Assessment Fee. As can be seen in the Fire Assessment Fee Comparison chart, even with an increase of \$8.33 in the Fire Assessment Fee, for a single family home, Coral Springs still enjoys the third lowest fee.

As always, the City will aggressively pursue grant opportunities for upcoming capital improvement projects for the Fire Department.

Results

Despite the challenges posed by the recent property tax legislation, our commitment "to be the nation's premier community in which to live, work, and raise a family" has not wavered. Our Financial Strategy and Core Values – Customer

Focus, Leadership, Empowered Employees, and Continuous Improvement – underpin our ability to provide "Sterling" customer service. We have sought to continue the services which are most important to our customers, while cutting back costs across the board:

- Reducing the Debt Service Millage Rate by 16.9%, to \$0.1774 mills;
- Reducing the Operating Millage Rate from \$3.8715 to \$3.3651 – still the lowest in Broward County; and
- Maintain the Fire Assessment Fee below \$100 for single-family homes.

This means that if a homeowner's property assessment is not increased by the Assessor's Office, **our average homeowner will actually save \$99.80** even with an increase of \$8.33 in the Fire Assessment Fee. If, however, the Assessor's Office increases the assessment by 2.5% (CPI), the average homeowner will still enjoy a net savings of \$79.91.

The Solid Waste Special Assessment will increase from \$226.32 to \$232.20, in accordance with the City's contract with Waste Management.