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City of Key West
FLORIDA



**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

Fiscal Year Ended September 30, 1990

Enterprise Operations. The City's enterprise operations are comprised of five separate and distinct activities: the Sewer, Solid Waste, Transit, Garrison Bight, and Mallory Square Funds. To provide necessary resources for operations and to make additional improvements, the City Commission approved a 5.58% increase in sewer rates and a 21.69% increase in solid waste rates. The sewer rate increase provided additional resources for collection system improvements; the solid waste rate increase provided resources to fund Phase I landfill closure costs.

Port and parking activities currently fund shortfalls in the transit system. In the future these shortfalls will be funded by gas tax monies. The city marina is operated at breakeven and rates are adjusted annually according to the Consumer Price Index (CPI) to ensure the function operates on a pay-as-you-go funding plan.

None of the City's enterprise funds receive money from the general fund except for charges for services. All funds pay on the same basis as all other customers. However, the Solid Waste Fund received infrastructure sales tax of \$775,000 for a landfill drainage project in 1990.

Internal Service Funds. The City operates a garage fund and an insurance fund (discussed under Risk Management). The cost of the garage fund is allocated based on number of vehicles weighted for average annual road hours. Due to privatization of several of the enterprise fund activities, the garage fund now receives 100% of its resources from the general fund. The City will consider closing this fund and transferring its responsibilities. The insurance fund costs are allocated based on the number of employees weighted for loss history for workers' compensation and facilities for property coverage. The general fund pays 79.29% of insurance costs.

Pension Trust Funds Operations. Plan Ordinance 89-21 improved the plan benefits formula and provided for earlier retirement dates. As a result, the unfunded liability for the Public Safety Employees Retirement System (PSERS) increased by 20%; however, the Fund is considered actuarially sound as presented in the 1989 actuarial report (last available year). Revenues for 1990 increased 14% over the prior year.

Plan Ordinance 89-20 improved the Public Employee Retirement System (PERS) plan benefits formula and changed normal retirement eligibility. As a result, unfunded liabilities replaced prior year surplus with a net change of 118% over the prior year; however, the fund is considered actuarially sound as presented in the 1989 actuarial report (last available year). Revenues for 1990 increased 11.6% over the prior year.

Deferred compensation plans are available to all employees. Participation in the plan is optional and employee withdrawal of the funds is governed by Internal Revenue Service Section 457. City legal counsel opined that the City has no liability for losses.

Debt Administration. At September 30, 1990, the City had two debt issues outstanding. The issues include \$85,000 in 1961 general obligation secured by cigarette tax revenue, and 1986 sewer revenue bonds of \$30,280,000. The earlier issue is not rated and the 1986 issue is rated Aaa by Moody's and AAA by Standard and Poors. No debt was issued during the year.

The City Charter, Florida State Statutes, and federal regulations currently do not limit debt issuance except for referendum requirements and restrictions on private activity bonds. The City's charter goes beyond State Statutes to require voter approval of all

Enterprise Funds

Enterprise funds are used to account for the acquisition, operation, and maintenance of governmental facilities and services which are entirely or predominantly supported by user charges. The significant characteristics of enterprise funds are that the accounting system must be structured to reflect whether the activity is operated at a profit or loss, similar to comparable private enterprise. Thus, the reports of enterprise funds are self-contained, and creditors, legislators, or the general public can evaluate the performance of the municipal enterprise on the same basis as they can the performance of an investor-owned enterprise in the same industry.

Sanitary Sewer System Fund - To account for the provision of sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including (but not limited to) administration, operations, maintenance, financing and related debt service.

Solid Waste Fund - To account for the provision of solid waste services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including (but not limited to) administration, operations, and maintenance.

Garrison Bight Fund - To account for the provision of marina services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including (but not limited to) administration, operations, and maintenance.

Transit System Fund - To account for the provision of mass transit services within the City limits to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including (but not limited to) administration, operations, and maintenance.

Mallory Square Fund - To account for the provision of port facilities within the City limits. All activities necessary to provide such services are accounted for in this fund, including (but not limited to) administration, operations, and maintenance.