

MEMORANDUM

TO: Town Commission
FROM: Tom Harmer, Town Manager
REPORT DATE: June 11, 2021
MEETING DATE: June 21, 2021
SUBJECT: FY 22 Preliminary Budget

Recommended Action

Provide direction to Manager for FY22 Strategic Initiatives, Budget, and FY22-26 Capital Improvement Plan (CIP).

Background

In accordance with Town Charter Article V, Section 3 and Section 6, the Town Manager shall submit to the Town Commission, on or before the fifteen day of June of each year, a preliminary budget and capital program for the ensuing fiscal year. A final recommended budget and an accompanying message shall be submitted on or before the first day of August of each year. This memo provides the Preliminary General Fund Operating Budget, the Preliminary Capital Improvement Plan, and all operating fund budgets. Any changes made since the May 18, 2021, Budget Workshop have been highlighted.

Preliminary Budget

My budget guidelines for FY22 were as follows:

- No increase in operating millage rate of 2.1144
- Continue to monitor and evaluate rate and fee structures
- Monitor and evaluate impacts from Covid-19 for FY21 and FY22
- Keep operating budgets flat
- Maintain publicly visible service levels
- Continue to seek more efficient methods of accomplishing the mission
- Carefully consider new projects and initiative impacts
- Identify stressed "Funds" and develop viable funding strategies using forecasting models
- Maintain support for the 5-year capital improvement plan for scheduled vehicle replacement and infrastructure improvements
- Meet new Fund Balance Policy requirements including Unassigned Reserve, Economic Stabilization/Revenue Uncertainty Reserve, Disaster Reserve, and Capital Outlay Reserve

Budget Highlights

The budget includes appropriations for the ongoing undergrounding of utilities including the ultimate installation of a fiber backbone for Town connectivity and street lights. The Town is under contract for the design build of a new South Fire Station and the renovation of the North Fire Station to be completed by the end of the year. The Budget includes funding for the GMD Corridor Plan and the design and engineering of the Broadway Roundabout. The Governor vetoed assistance for Sea Level Rise, however we will be applying for these funds under the Florida Resilient Coastlines Program. We are completing the Sea Level Rise Phase 2 in FY21 and have budgeted Phase 3 and 4 in FY22, pending grant approval. The Town received a federal grant award in FY21 to replace the Town Hall's generator, windows and roof and the work will be completed during FY22. Other highlights include moving forward with the Town Center Outdoor

Venue Phase 2 improvements and a multi-year project to design and replace the Asbestos Cement Pipe in Country Club Shores.

Town staff will bring forward a Resolution, providing for a multi-year rate increase for the Water and Wastewater System, in order to fund critical capital needs which includes the Asbestos Cement Pipe and the replacement of Subaqueous Force Main in FY24-FY25. The Plan assumes the financing of \$27.1 million with the remainder being funded with cash reserves and user rate collections.

The budget includes costs for external budget impacts, negotiated and anticipated wage increases for fire and police, and merit-based compensation for general employees. It also includes money to develop the Canal Dredging Program, funding for a federal lobbyist, grant assistance and the Annual Citizen Survey. It continues to fund \$250,000 for general contingency plus \$50,000 of contingency funding for Red Tide cleanup.

General Fund Budget

The preliminary General Fund operating budget (without capital) for FY22 is \$17,321,550. Operating expenses currently exceed revenues by \$133,849. The increase to the operating expenses from the current fiscal year is 4.0%. The preliminary overall General Fund operating & capital budget of \$17,763,850 represents a \$475,669 (2.8%) increase in spending from the current fiscal year's adopted budget of \$17,288,181. Expenditures exceed revenues by \$576,149, and with no increase in the operating mill rate, the fund balance reserves would be reduced by that amount to 222 operating days.

Below is a summary of Revenues and Expenditures in the preliminary budget using a flat millage rate of 2.1144.

Total Revenue	\$17,187,701
Total Operating Expenditures	<u>(17,321,550)</u>
Net loss before capital outlay	(133,849)
Total Capital Expenditures	<u>(442,300)</u>
Use of Fund Balance	(\$576,149)

The 5-Year Capital Improvement Plan was reviewed during the May 18, 2021, Budget Workshop. The revised schedule of General Fund Capital Expenditures (excluding FY21 Capital Carryovers) are follows:

Facilities – Fuel Master System	\$22,000
Facilities – Exterior Painting (Public Works)	20,000
Facilities – Exterior Painting (Tennis)	20,000
Facilities – Parking Lot Resurfacing (Police)	20,000
Fire/Rescue – Bunker Gear	38,000
Fire/Rescue – Fire Pump (Town Match)	7,800
I.T. – Fire MDT Replacement (vehicles)	3,500
I.T.-Wireless infrastructure Upgrade	20,000
I.T.-Badge Card Security System	18,000
I.T.-Camera Security System	15,000
I.T Ante Chamber A/V Replacement	10,000
Parks/Recreation-Utility Cart	13,000
Police – Records Management Software	<u>5,000</u>
Total General Fund Capital	<u>\$212,300</u>

In addition, a transfer from the General Fund in the amount of \$230,000 will be made to the Streets Capital Fund for the Broadway Roundabout Design & Engineering project, with the remainder funded from gas taxes.

Fund Balance.

The FY21 Budget was originally passed with a use of Fund Balance Reserves of \$969,940. Finance staff has projected that use of Fund Balance will only be \$115,926, which is subject to change. This is a \$854,014 positive variance due to several factors:

- Sales tax and tourism revenues are exceeding expectations as the rollout of the vaccine has revived the economy.
- The Town has received Federal CARES Act recovery funds which were not budgeted.
- Staff review fees and parking fine revenues have increased.
- Contingency funds of \$240,000 remain unspent.
- We expect various departmental budgets to produce operating surpluses.

The projected ending fund balance for September 30, 2022, for the General Fund is \$10,539,524 includes the estimated projected change in FY21 results. We will continue to monitor this projection and make changes now through the September public hearings for any updates.

The Town Commission has the following reserves of fund balance in accordance with the new Fund Balance Policy:

▪ Unassigned	\$2,847,000
▪ Economic Uncertainty/Revenue Stabilization	\$2,847,000
▪ Extreme Events/Natural Disasters	\$2,847,000

An additional reserve of \$750,000 for Future Capital remains in addition to a balance of \$602,798 of Unassigned above the 60 day requirement.

Based on FY22 proposed expenditures of \$17,321,550 (excluding capital outlay), the cost per day is \$47,456.

All Other Fund Budgets

The Town maintains twenty-seven (27) other funds in addition to the General Fund. These funds were legally established for a specific purpose. Each fund has a self-balancing set of accounts and often have relationships to each other. The table contained in this memo summarizes the preliminary budget totals by fund type, revenue classification, and functional category of expenditures. These budgets include preliminary estimates of carryover amounts for encumbrances and multi-year project balances previously authorized in prior fiscal years. This carryover amount will be updated prior to the September public hearings.

Special Revenue Funds

There are eleven (11) special revenue funds that are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed for specific purpose other than debt and capital projects. Some of the major funds include Sarasota and Manatee Infrastructure Surtaxes, Tourist Development Taxes, the Tennis Center operations, Miscellaneous Grant Fund, Road and Bridge Fund, and the Undergrounding Assessment Funds. Total revenues are estimated at \$5,518,103 and total expenditures are \$4,587,153. The projected ending fund balance for September 30, 2022, for all special revenue funds is \$5,614,236.

Capital Project Funds

Capital project funds are multi-year project budgets used to account for the construction of major infrastructure improvements or for the purchase of other capital assets greater than \$5,000 having a useful life of three or more years. Project funds may include bond proceeds or other financing sources used to fund the project such as the Undergrounding Projects and Fire Stations. Some of the major fund projects include GMD and Neighborhood Undergrounding, Beach Nourishment, Fire Station Construction and Renovation, Canal Dredging, and Land Acquisition. Total revenues in FY22 are estimated at \$7,862,685 and total expenditures are \$73,052,477. The projected ending fund balance for September 30, 2022, for all capital funds is \$4,812,626.

Debt Service Funds

Debt service funds account for financial resources, such as ad valorem taxes or assessment revenues, that are levied to pay for scheduled principal and interest payments on borrowed money. The Town debt payments for FY22 is \$5,942,434. Using the June assessed values the projected calculated mill rate for Facilities (Fire Stations) Debt is 0.0572, Beach Nourishment Gulf Side District Debt Millage is 0.8570, and for Bay Side District Debt 0.2143. This will be updated once the final values are received.

Enterprise Funds

The Town has two enterprise funds, the Water and Wastewater Utility Fund and the Building Fund. Enterprise funds are business-type activities generally used for services for which the Town charges a fee. Total revenues are estimated at \$13,186,456 and total expenditures are \$19,253,781.

Changes made since May workshop

Revenues.

Based on the latest information from the property appraisers, Manatee County values increased 5.16%, and Sarasota County values increased 5.47% with a combined increase of 5.37%. The increase provides \$663,752 in increased ad valorem revenues using the same mill rate (2.1144) as FY21. We originally estimated a 4.0% increase in property values at the May Workshop. Final values are due July 1.

Non Ad valorem Revenues were increased \$118,308 based on latest projections for FY21. Investment income from pooled cash and investments is expected to stay flat based on Federal Reserve Board comments that they would keep its benchmark interest rate near zero.

Expenditures.

We learned that our health insurance rates will not exceed 5% and made reductions to benefits and other operating costs accordingly. This was offset by the added expense for Sea Level Rise due the Governor's veto, decreasing operating expenses a net of \$4,000.

A-Pine Fund.

The Australian Pine Removal Program was reestablished in FY18 and was started with a \$60,000 transfer to a new Special Revenue Fund to account for the program balance reserves. Since then, two additional transfers were made in FY20 and FY21 for an additional \$95,000. Under Governmental Accounting Standards Board, Statement No.54, if the revenue source is predominantly funded with General Fund revenue, it does not qualify as a Special Revenue Fund. The auditors have been combining the two funds in the Annual Comprehensive Financial Report (ACFR) since inception. Finance has recommended merging the two funds together and a new line item in the General Fund budget has been created, which can be funded annually. A budget amendment for FY21 will be forthcoming to close the Fund and merge the existing budget with the General Fund. We have incorporated this change into the FY22 Budget.

Capital Improvement Plan.

Since the May Workshop, all Carryover Balances were updated measured as of June 1 including new budget amendments made in FY21. At the recommendation of The Town Commission, \$300,000 was added for Broadway Roundabouts and \$130,000 was added for the GMD Corridor Plan, funded in part by General Fund and by gas taxes. The Living Seawall at Bayfront Park was removed due to a change in Consent Order In-Kind Projects. Some minor reallocations were made to the Utility Fund to provide for the new in-kind projects. The revised Five-Year Capital Improvement Plan is \$128,999,298 with \$79,364,293 to be funded in FY22 shown below:

FY22-FY26 Capital Plan

<i>Description</i>	<i>FY21 Carryforward</i>	<i>New Spending</i>	<i>FY22 Budget</i>	<i>FY23</i>	<i>FY24</i>	<i>FY25</i>	<i>FY26</i>	<i>Total</i>
General Fund Ad Valorem Tax	\$1,134,025	\$212,300	\$1,346,325	\$299,500	\$288,000	\$104,000	\$700,000	\$2,737,825
Road & Bridge Fund	\$5,392	\$75,000	\$80,392	\$0	\$75,000	\$170,000	\$0	\$325,392
Sarasota Infrastructure Fund	\$320,317	\$379,200	\$699,517	\$597,605	\$241,000	\$1,096,000	\$501,000	\$3,135,122
Law Enforcement Fund (LETF)	\$25,000	\$0	\$25,000	\$0	\$0	\$0	\$0	\$25,000
Misc. Grant Fund	\$0	\$27,718	\$27,718	\$0	\$40,000	\$0	\$155,000	\$222,718
Manatee Infrastructure Fund	\$195,498	\$80,000	\$275,498	\$306,000	\$186,000	\$80,000	\$416,400	\$1,263,898
Facilities (Fire station) Capital Fund	\$1,085,560	\$0	\$1,085,560	\$0	\$0	\$0	\$0	\$1,085,560
Streets Capital Fund	\$930,401	\$440,000	\$1,370,401	\$510,000	\$1,010,000	\$10,000	\$500,000	\$3,400,401
Land Acquisition Fund	\$1,080,781	\$0	\$1,080,781	\$0	\$0	\$0	\$0	\$1,080,781
Beach Capital Fund	\$25,470,486	\$6,420,000	\$31,890,486	\$960,000	\$2,115,000	\$490,000	\$690,000	\$36,145,486
Canal Fund	\$846,892	\$0	\$846,892	\$3,300,000	\$1,130,000	\$1,130,000	\$1,130,000	\$7,536,892
Parks & Recreation Capital Fund	\$195,567	\$50,000	\$245,567	\$25,000	\$0	\$0	\$0	\$270,567
Building Fund	\$45,408	\$0	\$45,408	\$10,000	\$0	\$50,000	\$27,000	\$132,408
Utility Capital Fund	\$1,706,151	\$3,627,500	\$5,333,651	\$3,619,000	\$3,618,500	\$22,450,000	\$1,605,000	\$36,626,151
GMD Undergrounding	\$19,518,885	\$0	\$19,518,885	\$0	\$0	\$0	\$0	\$19,518,885
Neighborhood Undergrounding	\$15,492,212	\$0	\$15,492,212	\$0	\$0	\$0	\$0	\$15,492,212
Total	\$68,052,575	\$11,311,718	\$79,364,293	\$9,627,105	\$8,703,500	\$25,580,000	\$5,724,400	\$128,999,298

American Rescue Plan Act (ARPA)

We are still waiting for funds to be transferred from the State. We have provided the State with requested information and are awaiting further instructions. Once received the funds will be deposited into a new restricted Special Revenue Fund. We will update you with new information as it becomes available. Once the amount of Longboat Key's allotment under the program is confirmed we will discuss qualified expenditures of the funds with the Commission.

The following provides a summary of all Funds Government-Wide.

FY 22 Budget - All Funds

FY22 Estimated Revenues

ESTIMATED REVENUES	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS	ENTERPRISE FUNDS	TOTAL ALL FUNDS
Ad Valorem Tax	13,061,917		3,933,181			16,995,098
Other Taxes	145,000	1,778,160				1,923,160
Franchise Fees	703,000		304,027			1,007,027
Licenses and Permits	23,200				1,529,500	1,552,700
Special Assessments		2,599,801		3,369,153		5,968,954
Intergovernmental Revenues	1,314,058	81,650				1,395,708
Charges for Services	400,000	757,502		50,000	8,735,000	9,942,502
Grants		284,589		3,197,980		3,482,569
Fines & Forfeitures	36,500	1,750			46,000	84,250
Investment Earnings	86,500	8,151	8,726	103,252	38,600	245,229
Miscellaneous	87,576	6,500			37,356	131,432
Transfers In	1,329,950		1,714,214	1,142,300	2,800,000	6,986,464
TOTAL ESTIMATED REVENUES	17,187,701	5,518,103	5,960,148	7,862,685	13,186,456	49,715,093

FY22 Preliminary Expenditures

ESTIMATED EXPENDITURES	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS	ENTERPRISE FUNDS	TOTAL ALL FUNDS
Town Commission	40,400					40,400
Legal Counsel	463,925					463,925
Town Manager	440,474					440,474
Town Clerk	392,297					392,297
Finance	709,826					709,826
Information Technology	829,526					829,526
Support Services	538,340					538,340
Facilities	148,687					148,687
Police	3,180,756	292,881				3,473,637
Fire/Rescue	7,152,853	12,433	353,782			7,519,068
Emergency Management	55,601					55,601
Public Works (Includes Undergrounding)	546,574	81,250	2,010,152			2,637,976
Parks/Recreation (Includes Beach and Canals)	282,291	14,093	3,580,100	1,015,208		4,891,692
Planning and Zoning	590,966					590,966
Streets	628,149	32,900				661,049
Tennis		671,829				671,829
Water					2,414,812	2,414,812
Wastewater					2,844,233	2,844,233
Building					1,181,711	1,181,711
General Services	712,418	1,964	1,450	7,052	3,054,016	3,776,900
Contingencies	608,467			3,303,603	250,000	4,162,070
Capital Outlay	442,300	1,065,589		68,726,614	5,379,059	75,613,562
Transfers Out		2,414,214			4,129,950	6,544,164
TOTAL PRELIMINARY EXPENDITURES	17,763,850	4,587,153	5,945,484	73,052,477	19,253,781	120,602,745

FY22 Fund Balance Summary

SUMMARY	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS	ENTERPRISE FUNDS	TOTAL ALL FUNDS
REVENUES	17,187,701	5,518,103	5,960,148	7,862,685	13,186,456	49,715,093
EXPENDITURES	(17,763,850)	(4,587,153)	(5,945,484)	(73,052,477)	(19,253,781)	(120,602,745)
BEGINNING FUND BALANCE	10,539,524	4,683,286	81,823	70,002,418	32,374,674	117,681,725
ENDING FUND BALANCE	9,963,375	5,614,236	96,487	4,812,626	26,307,349	46,794,073

Budget Schedule/Next Steps

- **June 21, 2021** - 2nd Special Workshop Meeting for Budget. At the June 21, 2021 Special Workshop Meeting for Budget discussion, the General Fund Preliminary Budget will be presented and we will review all other fund budgets (special revenue, enterprise, and debt service).
- **July 1, 2021** - Certification of final property values. The County Property Appraisers Offices have until July 1, 2021 to certify property values. Your July Regular Meeting falls on July 2, 2021. Upon receipt, the Finance Department will recalculate the FY22 Budget to provide for setting of the maximum millage rate at the July 2, 2021 Regular Meeting.
- **July 2, 2021 at 1:00 PM-** Regular Meeting - Set Maximum Millage. We will also present Resolution 2021-13, Amending the 15-Year Infrastructure Surtax Phase II Budget as discussed at the May 18, 2021 Budget Workshop.
- **August 1, 2021** - Delivery of Recommended Budget Book per Town Charter.
- **September 13, 2021 at 9:00 AM** – Final Special Workshop for discussion of FY22 Budget (if needed).
- **September 13, 2021 at 5:01 PM** - First reading and public hearing of Resolution 2021-09, which establishes the millage rate; and Resolution 2021-10 to adopt the FY22 Budget. First reading and public hearing on Ordinance 2021-05 , which provides for the adoption of the FY22 Capital Improvements Element (CIE) concurrent with adoption of the FY22 Budget.

Resolutions 2021-11 and 2021-12 will be presented for the Certification of the Annual Assessment Rolls for both the GMD and Neighborhood Utilities Undergrounding Projects (must be passed prior to September 15 each year).

In addition, Resolution 2021-14 will be presented for a multi-year Utility Rate increase. Manatee County is having a public hearing on their pass-through increase in August.

- **September 27, 2021 at 5:01 PM** – Second reading, public hearing, of Resolution 2021-09 , which establishes the millage rate; and Resolution 2021-10 to adopt the FY22 Budget. Second reading and public hearing to adopt Ordinance 2021-05, FY22 Capital Improvements Element (CIE) concurrent with adoption of the FY22 Budget.

Attachments (Available in the Office of the Town Clerk)

- A. PowerPoint
- B. Exhibit A - All Other Fund Budget Summary