

M E M O R A N D U M

To: Town Commission
From: Tom Harmer, Town Manager
Report date: September 13, 2021
Meeting date: September 27, 2021
Subject: Resolution 2021-09, Setting FY22 Mill Rates
Resolution 2021-10, Adopting FY22 Budget

Recommended Action

Pass Resolution 2021-09, adopting FY22 millage rates; and pass Resolution 2021-10 adopting FY22 Budget.

Background

The Revised Recommended Budget was presented at the September 13, 2021 Special Meeting for first public hearing. No changes have been made since that meeting and the Town Commission tentatively adopted the budget presented at that meeting.

The FY22 Tentatively Adopted Budget, included in this memo, is posted on the Town's website for public consideration. As required by Florida Statutes, a notice of budget hearing and budget summary are being published on September 22, 2021 in the Sarasota Herald Tribune.

An overview of the FY22 Budget Highlights will be presented at the September 27, 2021 Special Meeting at 5:01 PM.

A second public hearing is also required on September 27, 2021 for the Capital Improvements Element of the Comprehensive Plan (CIE) Update as outlined in Ordinance 2021-05.

Staff Recommendation

Pass Resolution 2021-09, adopting FY22 millage rates; and pass Resolution 2021-10 adopting FY22 Budget.

Attachments (*Available in Town Clerk's Office*)

- A. Resolution 2021-09 FY22 Millage
- B. Resolution 2021-10 FY22 Budget
- C. PowerPoint Presentation

Town of Longboat Key
Tentatively Adopted Budget October 1, 2021 – September 30, 2022

I am pleased to present the recommended spending plan for the Fiscal Year 2021-2022 (FY22) Operating Budget and Capital Improvement Plan. The Budget advances the Town's strategic priorities in a fiscally responsible manner, recognizing the economic recovery associated with the roll out of the COVID-19 vaccine and U.S. Congressional stimulus which provided direct payments to individuals, families, local businesses and governments. The Budget preserves the current level of services, maintains a flat operating mill rate of 2.1144, and uses a portion of Fund Balance reserves as directed by the Commission at their July 2, 2021 Regular Meeting, to provide for scheduled replacement of equipment and other capital improvements.

The Tentatively Adopted FY22 Expenditure Budget government-wide totals \$109,286,386 which is a 15.7% decrease from the FY21 Adopted Budget. Funding for activities supported by the General Fund is \$17,832,746, and represents a \$544,565 (3.1%) increase in spending which includes \$522,300 of capital outlay. Personnel and operating expenses increased by 4.0%. Prior to any capital outlay, operating revenues are projected to exceed personnel and operating expenses by \$109,932.

Last fiscal year (FY21) the Town faced one of the more challenging budgets in recent history due to uncertainties of the COVID-19 pandemic, with anticipated revenue losses in sales taxes, tourist development taxes and gas taxes. Furthermore, the property tax base in the Sarasota County portion of the Key, was negatively affected by declining condominium values. In contrast, the FY22 taxable base saw a moderate increase of 6%, driven by a booming real estate market attributable to lower mortgage rates and out of State buyers flocking to Florida. The pandemic and its impact on home and work life has caused people to reconsider where they live and Florida is experiencing an extraordinary influx of new residents. This in combination with a tight real estate inventory has driven up market values.

Given the turn-around in the economy, thanks to vaccine distribution efforts and massive stimulus payments to individuals, families and businesses, our State revenue collections are expected to exceed our prior year conservative estimates. Non-ad valorem revenues for FY22 have been adjusted accordingly for anticipated continued recovery efforts and growth in the economy. The Tentatively Adopted Budget includes an increase of approximately \$361,251 in Non-Ad Valorem revenues.

Budget Approach

My Budget approach and safeguards for FY22 are as follows:

- The General Fund operating millage rate was kept flat at 2.1144.
- We are meeting our new Fund Balance Policy reserve requirements. The total projected Fund Balance at the end of FY22 is estimated at \$10.4 million and is equivalent to 220 days. Under all foreseeable circumstances, the Town plans to maintain funds in excess of the requirements of its Fund Balance Policy at all times.
- Included in those 220 days, we are maintaining 60 days each for each of the three categories: Unassigned, Economic Uncertainty/Revenue Stabilization, and Extreme Events/Natural Disasters. The Town Manager's assignment of \$750,000 for Future Capital Outlay remains intact.
- We will continue to perform close monitoring of General Fund and Program Revenues throughout the new year as the new COVID-19 Delta variant spreads.
- We have kept most operating budgets flat while maintaining publicly visible service levels.
- We will continue to pursue and maximize all eligible Federal, State and Local grants.

- We have carefully considered new project initiative impacts while continuing general support for the 5-year Capital Improvement Plan (CIP) for scheduled vehicle replacement, facility and infrastructure improvements.
- We will continue to seek more efficient methods of accomplishing the mission and monitor and/or evaluate rate and fee structures during the upcoming year. We have identified our stressed funds and are developing viable funding strategies.

Budget Highlights

As previously mentioned, this year's increase in property values was approximately 6% and the \$6.5 billion property value is now 1.93% below the pre-recession peak in 2008. By keeping the operating mill rate flat at 2.1144, tax revenue increased \$740,886. The assessed values were measured by the County Property Appraiser on January 1, 2021 (9 months post COVID-19). This follows the prior year decrease in values of 0.88% which reduced ad valorem revenue by \$146,148. Generally, the Town's growth is limited not only in its density but also in its ability to develop new parcels.

Some of the FY22 budget highlights include continued funding for the Undergrounding Utilities construction, the North Fire Station renovation, new construction of the South Fire Station, and construction of five rock groin structures on the North end of the Key along with major sand renourishment. The Town received a Federal Hazard Mitigation Grant to partially fund the installation of a new permanent generator, replace the windows and harden the roof at Town Hall. We will begin construction for Phase 2 at the Town Center, including design of the permanent stage, and complete the final phase of the Tennis Center underground court watering system. The Utility Department will begin design work for replacing the asbestos cement pipe in Country Club Shores, continue rehabilitation of sewer lines and lift stations, and look for opportunities to advance the installation of a redundant subaqueous pipe across Sarasota Bay to Manatee County Wastewater Treatment Facility.

The Budget includes added funding for a Federal lobbyist and grant assistance to support working through the American Rescue Plan Act and potential new infrastructure bills coming from Congress. A separate discussion will be scheduled with the Town Commission to address funding opportunities associated with ARPA. The Commission approved the advancement of the Broadway Roundabout Design and Engineering, the GMD Corridor Plan and continued Sea Level Rise work. We have also included money in the budget for a compensation plan with merit-based increases for General Employees, contracted wage increases for Fire and Police and continued Emergency Contingency Fund budgets.

This past year the staff worked with the Commission to update our new Strategic Plan. The Plan recognizes five main goals:

- Community Character
- Fiscal Sustainability
- Environmental Resiliency
- Infrastructure
- Services

There are 49 Strategic Initiatives that fall under the five goals and they become the workplan for the staff over the next several years. In addition, the Commission has asked that we schedule biannual strategic planning retreats to discuss longer term initiatives to help guide future planning.

As part of the 2022 Strategic Plan, the following initiatives were prioritized based on the importance of the benefits provided to the community and were given consideration when developing the Budget and Capital Improvement Plan:

- Complete outdoor Town Center Venue Phase 2 improvements, including stage (Community Character)
- Continue advancement of the subaqueous wastewater force main project (Environmental/Resiliency)
- Ensure/Convince the cell carriers to enhance their coverage on the island (Infrastructure)
- Pursue enhancements for GMD crosswalk with FDOT (Infrastructure)
- Enhance Public Information regarding Red Tide mitigation (Environmental/Resiliency)
- Program Outdoor Venue 2022 (Services)
- Pursue Funding Methodology for Canals (Fiscal Sustainability)

In the goal of providing quality island based recreational and educational opportunities, the Town is continuing the development of the 4.8-acre Town owned site located at 600 Bay Isles Road into an outdoor venue to support a variety of Town and community events. Phase 1 activated the site as an outdoor venue and preserves a buildable area for a future community facility. Phase 2 uses the preliminary concepts as a basis for designs that provides improvements such as hard surface walkways, fixed location for a performance structure to support a permanent stage, public restrooms, landscaping, locations for tents and space for food trucks with provisions for power and water. It is the Commission's desire to seek grants and/or private funding for the design and construction of the permanent stage. Out parcels have been set aside in the master plan for future buildings that may include public-private partnerships.

Staff has identified \$42.8 million in critical capital needs to the Water and Wastewater System through FY30 including the Asbestos Cement Pipe Replacement (Design and Construction) for County Club Shores scheduled for FY22 through FY25 and the Subaqueous Wastewater Force Main Replacement in FY24 through FY25. Assuming a financing of approximately \$27 million with the remainder funded through cash reserves and user rate revenues, the Commission is moving forward with a multi-year rate plan increase. The Town will proactively seek all grant opportunities and revisit the rate plan increases minimally every three years, or as needed.

Through a feasibility study performed in 2016, the Town had identified sixteen (16) canals that required dredging to meet the three-foot design criteria. The project was reassessed in 2019 which scaled the project back to fourteen (14) canals and segregated Canal 1A Greer Island being addressed through the beach project. The Town plans on developing a long-term Dredge Management Program, utilizing an assessment approach. An assessment consultant will be engaged during FY22 to move the program forward.

Both the Gulf of Mexico Drive (GMD) and Neighborhood Undergrounding projects were bonded in December 2018 and are scheduled for completion in FY23. The project is an island-wide undergrounding design, which includes electrical, communications, fiber optics, and other utilities including the installation of street lighting. The Capital Project Funds provide detailed accountability relative to the cost of undergrounding the utility lines. The Town split the undergrounding project into two separate referendums and two separate projects.

The North Fire Station (No. 91) renovation and the construction of the new South Fire Station (No. 92), which was bonded for in September 2018, are substantially completed. Amounts shown in the budget are residual carry over balances on open PO's.

The Town issued approximately \$21 million in bonds, at 0.72% interest, in December 2020, as approved by the voters on March 17, 2020, to finance the updated Comprehensive Beach Management Plan. A combination of bonds, tourist development tax and grants are funding sources for the placement of five rock groin structures, high erosion area sand placement and the South End New Pass Dredge. Bonds are being paid over six years and the tentatively adopted beach mill rates are 0.8537 for the Gulfside District and 0.2134 for the Bayside District.

This FY22 Tentatively Adopted Budget provides the Town the resources it needs to accomplish major projects over the next fiscal year. The capital initiatives will be discussed in more detail throughout the Tentatively Adopted Budget. The Town will continue to monitor COVID-19 impacts and revisit the services we provide to determine if the most efficient models are being employed, while meeting our citizens' expectations. This proposal represents a balanced budget for the Town of Longboat Key for FY22 and is prepared in compliance with Town Charter and applicable State and local laws.

The Budget was prepared to fulfil the Town Commission's continued expectations of project and service delivery to our citizens in the upcoming year. This Budget will accomplish a number of significant capital improvements, provide for ongoing maintenance programs, and work toward protecting our natural environment and keeping our infrastructure in good repair in pursuit of the Town Commission's strategic priorities.

This budget also reflects a strong continued investment in our employees who continue to strive for a high level of public service and meeting the demands of the community and visitors. The management team and employees have made it their highest priority to concentrate on our service delivery being of the highest quality.

General Fund Budget

The Tentatively Adopted General Fund budget of \$17,832,746 represents a \$544,565 (3.1%) increase in spending from the previous year's adopted budget of \$17,288,181. The budget includes a transfer of \$212,300 for general capital expenses, a \$230,000 transfer to the Streets Capital Project Fund to help fund the Broadway Roundabout Design and Engineering Project as requested by the Town Commission, and a \$80,000 transfer to the Land Acquisition Fund for Town Center Stage design. Donations received toward the design of the stage will be reimbursed to the General Fund. The tentatively adopted operating mill rate of 2.1144 is a flat millage from the prior year.

The FY22 taxable base saw a moderate increase of 6%, driven by a booming real estate market attributable to lower mortgage rates and out of State buyers flocking to Florida. A flat mill rate produced an increase in the tax levy of \$740,886. Our Non-Ad Valorem revenue increased \$361,251 for a total increase in revenue of \$1,102,137 from the prior year. Expenses exceed revenues by \$412,368.

Below is a summary of Revenues and Expenditures:

Total Revenue	\$17,420,378
Total Operating Expenditures	<u>(17,310,446)</u>
Net Income Before Capital Outlay	109,932
Total Capital Expenditures	<u>(522,300)</u>
Use of Fund Balance	(\$412,368)

Fund Balance.

Since the June 21, 2021 Special Workshop (Budget), we have updated our projection of the current FY21 General Fund budget and have estimated an operating surplus in the amount of \$178,065 at year end. This provides an opening balance of \$10,833,515. With the projected use of \$412,368 to balance the FY22 budget, the projected ending Fund Balance for September 30, 2022, is \$10,421,147. Projections are just estimates and should not be relied upon as spendable dollars until the audit is finalized. Invoices continue to be received and processed after the fiscal year through November. The FY22 Budget provides for the maximum assignment of 60 days each, for all reserve categories shown below, in accordance with the Fund Balance Policy.

Unassigned 16% (60 days)	\$2,846,000
Economic Uncertainty/Revenue Stabilization 16% (60 days)	\$2,846,000
Extreme Events/Natural disasters 16% (60 days)	\$2,846,000

Total estimated FY22 Fund Balance is the equivalent of 220 days, with a target 120-180 days. While not required, the Town Manager included an additional \$750,000 (5% of budget) to cover future fiscal capital expenditures.

All Other Fund Budgets

The Town maintains twenty-nine (29) 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. It should be noted that the amount of carryover may vary from what is displayed in this Budget document. We will carryover no more than originally authorized or encumbered amounts that exist on September 30, 2021, which is the Town's fiscal year end close date.

Special Revenue Funds

Special revenue funds 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 American Rescue Plan Act (ARPA), 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 \$9,577,599 and total expenditures are \$4,846,838. The projected ending fund balance for September 30, 2022, for all special revenue funds is \$9,428,261.

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 Nourishments, Fire Station Construction and Renovation, Canal Dredging, and Land Acquisition. New revenues in FY22 are estimated at \$7,942,685 and total expenditures are \$60,020,116. The projected ending fund balance for September 30, 2022, for all capital project funds is \$4,813,864.

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 scheduled debt payments, excluding water and sewer debt, for FY22 is \$5,932,589. Total revenues are estimated at \$5,950,635 and total expenditures are \$5,935,589. The projected ending fund balance for September 30, 2022 for all debt service funds is \$96,869. The calculated mill rate for Facilities (Fire Stations) Debt is 0.0569, for Gulfside Beach District Debt, 0.8537, and for Bayside Beach District Debt, 0.2134.

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 \$14,536,456 and total expenditures, including capital, are \$20,651,097. The projected ending fund balance for September 30, 2022, for all enterprise funds is \$26,150,090.

The tables below contain the Summary Tentatively Adopted Budget for All Funds for FY22
FY22 TENTATIVELY ADOPTED BUDGET

Revenues

ESTIMATED REVENUES	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS	ENTERPRISE FUNDS	TOTAL ALL FUNDS
Ad Valorem Tax	13,139,051		3,933,182			17,072,233
Other Taxes	145,000	1,937,808				2,082,808
Franchise Fees	707,000		304,027			1,011,027
Licenses and Permits	23,200				1,529,500	1,552,700
Special Assessments		2,580,940		3,369,153		5,950,093
Intergovernmental Revenues	1,367,396	84,500				1,451,896
Charges for Services	403,000	757,502		50,000	8,735,000	9,945,502
Grants		4,197,698		3,197,980	1,250,000	8,645,678
Fines & Forfeitures	46,750	1,750			46,000	94,500
Income on Investments	86,500	10,901	9,057	103,252	38,600	248,310
Miscellaneous	88,929	6,500			37,356	132,785
Transfers In	1,413,552		1,704,369	1,222,300	2,900,000	7,240,221
TOTAL ESTIMATED REVENUES	17,420,378	9,577,599	5,950,635	7,942,685	14,536,456	55,427,753

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	460,676					460,676
Town Clerk	426,064					426,064
Finance	733,408					733,408
Information Technology	850,692					850,692
Support Services	554,541					554,541
Facilities	151,034					151,034
Police	3,232,672	543,870				3,776,542
Fire/Rescue	7,208,794	2,789	353,732			7,565,315
Emergency Management	55,576					55,576
Public Works (Includes Undergrounding)	565,523	81,250	2,000,307			2,647,080
Parks/Recreation (Includes Beach and Canals)	298,263	14,093	3,579,925	1,012,092		4,904,373
Planning and Zoning	588,621					588,621
Streets	663,339	32,900				696,239
Tennis		674,352				674,352
Water					2,411,691	2,411,691
Wastewater					2,855,536	2,855,536
Building					1,173,545	1,173,545
General Services	716,918	2,164	1,625	5,815	3,057,216	3,783,738
Contingencies	300,000			3,048,834	250,000	3,598,834
Capital Outlay		1,091,051		55,953,375	6,589,557	63,633,983
Transfers Out	522,300	2,404,369			4,313,552	7,240,221
TOTAL ESTIMATED EXPENDITURES	17,832,746	4,846,838	5,935,589	60,020,116	20,651,097	109,286,386

Fund Balances

SUMMARY	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS	ENTERPRISE FUNDS	TOTAL ALL FUNDS
REVENUES	17,420,378	9,577,599	5,950,635	7,942,685	14,536,456	55,427,753
EXPENDITURES	(17,832,746)	(4,846,838)	(5,935,589)	(60,020,116)	(20,651,097)	(109,286,386)
BEGINNING FUND BALANCE	10,833,515	4,697,500	81,823	56,891,295	32,264,731	104,768,864
ENDING FUND BALANCE	10,421,147	9,428,261	96,869	4,813,864	26,150,090	50,910,231

**Capital Improvement Plan
FY 2022 – FY 2026**

Description	FY21 Carryforward	New Spending	FY22 Budget	FY23	FY24	FY25	FY26	Total
General Fund to Capital Fund	\$1,064,385	212,300	1,276,685	299,500	288,000	104,000	700,000	2,668,185
Road & Bridge Fund		75,000	75,000		75,000	170,000		320,000
Sarasota Infrastructure Fund	308,635	379,200	687,835	597,605	241,000	1,096,000	191,000	2813,440
Law Enforcement Trust Fund	25,000		\$25,000					\$25,000
Misc. Grant Fund		27,718	27,718		40,000		155,000	222,718
Manatee Infrastructure Fund	195,498	80,000	275,498	306,000	186,000	80,000	416,400	1,263,898
Fire station Capital Fund	541,708							541,708
Streets Capital Fund	922,969	440,000	1,362,969	510,000	1,010,000	10,000	500,000	3,392,969
Land Acquisition Fund	1,052,023	80,000	1,132,023	0	0	0		1,132,023
Beach Capital Fund	14,162,511	6,420,000	20,582,511	960,000	2,115,000	490,000	690,000	24,837,511
Canal Fund	843,776		843,776	3,300,000	1,130,000	1,130,000	1,130,000	7,533,766
Parks & Recreation Fund	195,567	50,000	245,567	25,000				270,567
Building Fund	32,000		32,000	10,000		50,000	27,000	119,000
Utility Capital Fund	1,609,616	4,947,941	6,557,557	3,619,000	3,618,500	22,450,000	1,605,000	37,850,057
GMD Undergrounding	18,929,757		18,929,757					18,929,757
Neighborhood Undergrounding	14,930,990		14,930,990					14,930,990
Total	\$54,814,435	\$12,712,159	\$67,526,594	\$9,627,105	\$8,703,500	\$25,580,000	\$5,414,400	\$116,851,599

An overview of the FY22 Budget, highlighting any changes since the July 2, 2021 Regular Meeting, was presented at the first public hearing in September. There are two hearings on the budget scheduled as follows:

- September 13, 2021 5:01 PM First Reading and Public Hearing
- September 27, 2021 5:01 PM Second Reading, Public Hearing and Budget Adoption

A public hearing is also required on September 27, 2021 for the Capital Improvements Element of the Comprehensive Plan (CIE) Update

Please feel free to contact me if you have any questions.

Staff Recommendation

Pass Resolution 2021-09, adopting FY22 millage rates; and pass Resolution 2021-10 adopting FY22 Budget.

Attachments (Available in Town Clerk's Office)

- A. Resolution 2021-09 -FY22 Millage
- B. Resolution 2021-10 -FY22 Budget
- C. Power Point Presentation

End of Agenda Item