

M E M O R A N D U M

TO: Town Commission
FROM: Howard Tipton, Town Manager
REPORT DATE: May 10, 2023
MEETING DATE: May 15, 2023
SUBJECT: Discussion Regarding Strategic Initiatives, FY24 Budget,
and FY24-FY28 Capital Improvement Plan

Recommended Action

Provide direction to Manager for FY24 Strategic Initiatives, Budget, and FY24-28 Capital Improvement Plan (CIP).

Background

In accordance with the Town Charter, on or before June 15 each year, the Town Manager shall submit to the Town Commission a Preliminary Budget for the ensuing fiscal year, and a final Recommended Budget with an accompanying message on or before August 1 each year.

I have reviewed the process from last year, and plan to follow the same general format this year.

In May of each year, the Town Commission holds their first Special Workshop Meeting for Budget for the upcoming fiscal year (FY24). This is an early review of the budget development in advance of the formal Preliminary Budget submittal. One additional Special Workshop Meeting for Budget is scheduled for June 20, 2023, prior to the September public hearings when the FY24 Budget is presented for adoption.

I provided guidance internally to each of the Department Directors and met with their staff as we prepared the plan for this upcoming year.

At the 9:00 AM, May 15, 2023, Special Workshop Meeting for Budget, we will provide an overview of the FY24 Budget process, a status of the development of the General Fund budget, and a review of the various Funds that make up the 5-year CIP. This meeting will serve as the primary review of the Capital Funds Budget and we will bring back responses to Commission questions or direction at the 9:00 AM, June 20, 2023, Special Workshop Meeting. We will also review the updated initiatives from the Commission's April Strategic Planning Retreat and the Commission's top priorities.

As part of the Capital Improvement Plan review, we will discuss current project needs for the next five years and the recommended funding plan to address those needs. There has been an \$11 million increase in Capital requests compared to submissions in the prior year for FY24-FY27, due to inflation and new project initiatives. Vehicle factory lead times has forced us to move up items on the schedule in order to procure fleet orders. The Town has several capital and infrastructure needs that exceed the size of our capital budgets and we will revisit

our potential funding solutions. We estimate that the Capital Plan, if adopted, would require an investment of General Fund Surplus Reserves of \$5.1 million, while still maintaining adequate reserves in accordance with the Town's Fund Balance Policy. Finance will also need to review the 15-Year Infrastructure Surtax Phase III Budget as amended and the Phase IV Budget as adopted due to inflationary pressures and added projects.

As part of the presentation, we will touch on some of the current alternative funding strategies that the Town is pursuing including the development of a funded navigational canal dredging program, pursuing FDOT construction dollars for improvements to the GMD Corridor and multi-use trail, and pursuing grants to offset costs associated with future water and wastewater utility projects and flood mitigation/resiliency improvements. Our plan includes appropriations which will qualify for grant match should the opportunities arise.

A Utility rate study was performed in 2021 to determine the rate adjustments needed to fund the critical capital needs of the Water and Wastewater System. Resolution 2021-14, passed on September 13, 2021, provided for multi-year five percent (5%) Utility Rate increases and any Pass-Through of Manatee County Wholesale Water and Wastewater increases for their portion of the system. FY23 will be year three of the five-year increase. Manatee County has also passed two 9.75% increases effective on June 1, 2023 and June 1, 2024. Our rate consultant has revised our remaining rate increases to incorporate this cost. Our rate increases, which are normally on October 1, have been adjusted to June 1 effective dates to align with the County's increases.

The Town will monitor the financial requirements of the utility on an annual basis and perform an updated rate review at least once every three years to confirm the level of rate support needed to meet current operations and necessary capital projects. The three-year review is scheduled for FY24.

We are in the early stages of the budget process, therefore, Fund budget forecasts are subject to change. Based on the current interest rates and the anticipated lowering of the Federal funds rates by FY24, we have increased next year's investment income revenues, but it is difficult to predict. The Finance Department continues to work on initial overall revenue and expenditure projections for all Funds and the Capital Improvement Plan (CIP) Budget.

Property values are a major source of revenue to the General Fund and the Town overall. The Manatee and Sarasota County Property Appraisers are not required to release preliminary property values until June 1, 2023, and the final values by July 1, 2023. At this stage of budget development, we are projecting a 10-14% increase in property values for our preliminary estimates and will update those as the information from the Property Appraisers is made available.

A PowerPoint presentation summarizing the issues to be covered in the Special Workshop Meeting is being distributed to the Commission in advance of the meeting.

Budget Schedule/Next Steps

- **May 15, 2023** – First Special Workshop Meeting for Budget. Review of Strategic Planning Initiatives, overview of process, initial review of General

Fund, and review of 5-year Capital Improvement Plan including the preliminary forecasts of the individual Funds.

- **June 1, 2023** - Preliminary property values from both counties.
- **June 20, 2023** – Second Special Workshop Meeting for Budget. At the June 20, 2022, 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, 2023.** The County Property Appraisers Offices have until July 1, 2023, to certify property values. Your July Regular Meeting which would normally fall on July 3, 2023, has been moved to June 30, 2023, at 9 a.m. Upon receipt of County values, the Finance Department will recalculate the FY24 Budget to provide for setting of the maximum millage rate at the June 30, 2023, Regular Meeting.
- **June 30, 2023 at 9:00 AM-** Regular Meeting - Set Maximum Millage.
- **September 11, 2023 at 9:00 AM** – Final Special Workshop Meeting for discussion of FY24 Budget (if needed).
- **September 11, 2023 at 1:00 PM** - Resolutions 2023-14 (GMD) and 2023-15 (Neighborhood) 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).
- **September 11, 2023 at 5:01 PM** - First reading and public hearing of Resolution 2023-18, which establishes the millage rates; and Resolution 2023-19 to adopt the FY24 Budget. First reading and public hearing on Ordinance 2023-09, which provides for adoption of the FY24 Capital Improvements Element (CIE) concurrent with adoption of the FY24 Budget.
- **September 26, 2023 at 5:01 PM** – Second reading, public hearing, of Resolution 2023-18 , which establishes the millage rates; and Resolution 2023-19 to adopt the FY24 Budget. Second reading and public hearing to adopt Ordinance 2023-09, FY24 Capital Improvements Element (CIE) concurrent with adoption of the FY24 Budget.

Attachments

PowerPoint Presentation (Available in Town Clerk's Office)

End of Agenda Item