

MEMORANDUM

To: Town Commission
From: Howard Tipton, Town Manager
Report date: August 28, 2023
Meeting date: September 11, 2023
Subject: FY24 Recommended Budget and Public Hearing

Recommended Action

Forward Resolution 2023-18, and Resolution 2023-19, to the September 26, 2023 Special Meeting at 5:01 PM for second public hearing and adoption.

Background

In accordance with Town Charter Article V, Section 3, the Town Manager submitted a Recommended Budget and accompanying message for the ensuing fiscal year on August 1, 2023. Since the release of that document, we received the final State revenue estimates, completed performance evaluations and applied the merit-based compensation adjustments to expenditures. The resulting budget changes are highlighted in this memo and will be discussed at the September 11, 2023 Special Meeting.

At the June 30, 2023 Regular Meeting, we presented certified values, which were 13.11% higher than the prior year, which would produce an increase in revenue of \$1,820,612 using the same mill rate of 1.9900 used in FY23. The Commission set the maximum millage rates shown below, which were submitted to the Counties for Truth in Millage (TRIM) notices.

- 1.9900 Operating (Maximum)
- 0.0440 Facility (Fire Stations) Debt
- 0.6672 Beach Gulfside
- 0.1668 Beach Bayside

The Maximum Millage Rate is the highest millage rate that the Town Commission may levy in September. The final millage rates can be lower, but not higher, than the maximum millage rate set on June 30, 2023, including the millage rates for debt.

Between June and July, ad valorem revenues were increased \$43,940 based on the July 1 certified values. Because of that increase, I reduced the mill rate from 1.9900 to 1.9850 for the August 1, 2023 Recommended Budget. After further review of the Fund Balance Reserves using a mill rate of 1.9850, the Town is expected to have \$216,647 of excess reserves over and above our policy requirements. I am now recommending a further reduction in the mill rate to 1.9600 which utilizes approximately \$200,000 of that excess.

Save Our Homes legislation limits homestead property value increases to 3.0%, which is the same cap as in the prior year. This means that on properties having a homestead exemption, and their 2023 assessed value is higher than their 2022 assessed value, the maximum allowed by State Statute is 3%.

As a result of this reduced rate, a Gulfside homesteaded million-dollar home would pay an additional 49 cents in taxes compared to last year and a Gulfside non-homesteaded million-dollar home would pay \$187.47 additional taxes from the prior year. A Bayside homesteaded million-dollar home would pay an additional \$18.68 in taxes compared to last year and a Bayside non-homesteaded million-dollar home would pay \$170.64 additional taxes from the prior year.

The Town will be prepared to present the original Resolution based on the maximum millages set on June 30, 2023 and a revised Resolution based on a reduced operating mill rate of 1.9600. The tentatively adopted mill rate can be lower, but not higher, than the maximum millage rate set on June 30, 2023. Likewise, the final adopted millage rate cannot be higher than the tentatively adopted rate set at the September 11, 2023 meeting.

This memo provides the Revised Recommended General Fund Operating Budget, Capital Improvement Plan and All Other Fund budgets. A summary of changes made since the release of the August 1, 2023 Recommended Budget have been highlighted below.

Budget modifications made since the August 1, 2023 Recommended Budget

General Fund Revenues (Net Decrease \$191,496):

- Reduction in Ad Valorem Taxes with the reduction in the mill rate from 1.9850 to 1.9600 is \$200,496.
- Increase in Communications Services Tax of \$9,000.
- While the Manatee Interlocal Agreement for Greer Island Patrol, \$60,000, is still pending approval at the County, we have included it in General Fund Revenue.

General Fund Expenditures (Net Increase \$14,256):

Budgeted Expenditures saw a net increase of \$14,256 since the August 1, 2023 Recommended Budget.

- Additions include \$21,000 for Strategic Planning Software, \$3,436 additional compensation for IT Business Analyst, \$15,000 for Town Center Event Programming, \$5,700 for Town Center Grand Opening, \$10,000 to Support Services for a Compensation Study update, \$10,000 for Sterling Award consulting and an additional \$850 for a required full actuarial valuation on Other Post-Employment Benefits (OPEB).
- Deductions include a Finance Department savings of \$44,735 because the Payroll Administrator is no longer retiring, which eliminated the retiree payout and overlap of training a new employee. Another \$6,995 savings is the net change in wages and benefits as a result of the application of merit adjustments.

Fund Balance (Decrease \$205,752):

- Due to the above changes total fund balance projected for September 30, 2024 decreases from \$11,199,823 to \$10,994,071.
- The FY24 Budget maintains 60 days of reserves for each of the three categories: Unassigned, Economic Uncertainty/Revenue Stabilization, and Extreme Events/Natural Disasters, in accordance with Town Policy. The Town Manager's assignment of \$750,000 for Future Capital remains intact and the remaining Unassigned Reserves greater than 60 days is \$16,151. This amount excludes any projected surplus expected in FY23 and is subject to change pending the outcome of the FY23 Budget and Audit.

Capital Improvement Plan and Other Funds:

- The Miscellaneous Grant Fund (#113) was updated for amounts spent down on grants since the June 20, 2023 Special Workshop (Budget).
- State estimates for Infrastructure surtax did not require any change to our preliminary numbers.

- State estimates for gas taxes increased revenue by \$4,000 in Road & Bridge Fund.
- \$110,000 for Contingency was added to the Accela project based on discussions with other clients who have gone through the implementation.
- The Five-Year Capital Improvement Plan was adjusted accordingly and all carryover balances were reduced based on the updated unexpended balances measured on August 15, 2023.

An overview of the FY24 Budget, highlighting any changes since the August 1, 2023 Recommended Budget, will be presented at the first public hearing in September. There are two hearings on the budget scheduled as follows:

- September 11, 2023 5:01 PM - first reading and public hearing
- September 26, 2023 5:01 PM - second reading, public hearing and Budget adoption

Public hearings are also required on September 11, 2023 for the Capital Improvements Element of the Comprehensive Plan (CIE) Update being held at 5:01 PM and for the Certification of the Annual Assessment Tax Rolls for both GMD and Neighborhood Undergrounding Projects being held at 1:00 PM.

In accordance with F.S. 166.241, the Tentative Budget must be posted on the municipality's official website at least 2 days before the Budget hearing, to consider such Budget and must remain on the website for at least 45 days. The Budget Summary below is an ADA compliant document which satisfies this requirement and represents what is being tentatively adopted at the public hearing.

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

Staff Recommendation

Forward Resolution 2023-18, and Resolution 2023-19, to the September 26, 2023 Special Meeting at 5:01 PM for second public hearing and adoption.

Attachments

- A. Summary Budget
- B. Resolution 2023-18, FY24 Millage (Available in the Town Clerk's office)
- C. Resolution 2023-19, FY24 Budget (Available in the Town Clerk's office)
- D. PowerPoint Presentation (Available in the Town Clerk's office)

**Town of Longboat Key
Summary Budget
October 1, 2023– September 30, 2024**

As Longboat Key Town Manager, I am pleased to present the recommended spending plan for the fiscal year beginning October 1, 2023 and ending September 30, 2024 (FY24) including both the Operating Budget and Capital Improvement Plan (the “Budget”). As you will note in the budget details, the operating budget comes in under new revenues by \$528,511 while the capital budget takes advantage of excess Fund Balance for one-time investments.

Background

It has been my honor to serve in this position for the past seven months and, in that short period of time, I have gained an understanding of the pride the Commission and its residents have for what is a truly an exceptional island community. I am also inspired by our service-oriented team that provides outstanding services every day (and night). In discussions with the Board, staff, and residents I have had the opportunity to gain an understanding of some of the challenges Longboat Key faces, such as sea level rise, traffic congestion, attracting and retaining talented employees, storm hazard risks, and more. And as we have come to understand, there are opportunities and challenges in each of these areas.

It is also important to get a better understanding of the issues facing our region as a vast majority of services to our residents (and employees to provide them) come from the mainland. There is an old Chinese blessing (or curse depending on your perspective) that says, “may you live in interesting times”. For our nation, and especially for Florida, these are interesting times indeed. Several key statistics about the State and our region are important to keep in mind as we review the budget recommendations:

- Florida’s inflation rate now leads the nation thanks mostly to the rising cost of housing.
- While national inflation fell to 3%, the Tampa-St. Pete-Clearwater region saw inflation at 7.3%.
- Home prices in Florida increased 55% from the onset of the pandemic, 64% in Sarasota. Nationally, home prices increased 41% during this same time period.
- According to the Federal Reserve Economic Data (FRED) report from the St. Louis Fed, Sarasota and Manatee both had an unemployment rate of 2.7% in June which is about the average through the first half of this year.
- According to Realtor.com, the median home price in Sarasota in June was \$650,000 and \$475,000 in Manatee. Longboat Key home prices aren’t included as Town employees can’t realistically afford to live here unless they have income from other sources.
- Driving much of these higher costs for mortgages (and rents) are the record number of people coming to Florida. From July 2021 to July 2022, 444,500 people moved to the state, significantly above the average of just under 1,000 people per day. Governor DeSantis announced that in 2022 the State set a record number of visits with 137.6 million visitors. The higher in-migration numbers along with more people visiting put a huge strain on the resources of the State and that translates into higher prices on everything with an acute impact on housing. And then there’s the property insurance crisis that all Floridians are feeling and which place even more pressure on housing costs.

And so, with our regional inflation higher than the State (and much higher than the national average), our regional housing costs making it difficult if not nearly impossible for Town employees to live close by which then requires them to commute even longer distances with some facing two hour drives (one way) in season, and with unemployment at virtual full employment levels which translates into

talent being in high demand, my initial focus was to ensure that our investments in our employees were sufficient to maintain a quality workforce capable of achieving exceptional results.

As a result, in the proposed FY24 Budget you will see that I am recommending a number of significant and important investments that start with our dedicated employees. Upon my arrival, I learned that Longboat Key was no longer competitive in wages in many areas. Over the past two years, we faced 18 vacancies in Police and 9 vacancies in Fire with difficulty filling the openings. We have also seen other key personnel leave for other employers for more competitive pay or to avoid the traffic issues which our employees deal with daily, especially in season. With the compensation data clearly showing the need, the Commission supported, unanimously, the enhancements to wages for the Police and Fire Bargaining Units, ratified at the June 5, 2023 Commission meeting. These changes which took effect July 1, 2023, helped contribute to the overall personnel cost increase of 16.7% in the FY24 Recommended Budget.

For General Employees, I have also continued merit-based compensation and market-based pay plan adjustments. I have recommended that the pay plans be adjusted by 3.5% to reflect inflationary concerns. The budget includes funds for merit-based adjustments between 3.25%-5% that have been incorporated into this budget document. In addition, adjustments have been made for employees at lower pay levels to meet their increasing financial pressures. Employee benefits have also been impacted by a 7.75% increase in health insurance (which is shared with employees proportionately), and the Town also saw a 13.8% increase in pension contributions, and State mandated Florida Retirement System (FRS) increases for the Fire Department of 37%.

I am supporting seven new positions requested by the Department Directors, recognizing that the Town's staffing numbers are still below where they were in 2010.

- The Grant Coordinator was unanimously supported by the Commission at their Strategic Planning Retreat and the position will pay for itself in this grant rich environment. We have set a goal in this first year of a grant to pay ratio of 10:1 with the stretch goal to make it 20:1.
- The Commission directive to establish a new canal dredging assessment program will require an additional finance position, to be half-funded by the Canal Assessment Program.
- Two positions in I.T. are restoring the office back to its manning levels in 2010. One position is dedicated to security as cyber-crime has seen historic increases and local governments are targeted more and more. The second position is a business analyst that will assist with the implementation of new software for the Building Department. This position will be split between the Building Enterprise Fund (fees) and General Fund (80/20) for at least the first fiscal year.
- A new maintenance position in Public Works will assist with the new Town Center park added to our inventory and manpower needed in other areas, including extra efforts needed to accommodate desired programming events.
- The Building Department requires an additional Plans Examiner/Building Inspector as building activity continues to flourish and has sent contracted professional service expenses spiraling. This position is 100% paid for by the Building Enterprise Fund.
- The Fire Department requires an office management Support Services position to assist with procurement, uniforms and capital asset and supply inventories. This position originally started with an additional Chief level grade, however the Fire Chief worked to reorganize this department so that this lower level position would be sufficient.

The Town is not exempt from the property, liability and flood insurance premium crisis in the State and we have included a 30%+ increase for the renewal that is yet unknown. We have also provided continued funding for a Federal lobbyist, the Annual Citizen Survey, \$250,000 for General Contingency plus \$50,000 of contingency funding for Red Tide cleanup.

Lastly on the operating budget, the Finance Department maintains a “zero based budget” approach on certain recurring (non-personnel) expenditures. For example, all travel and training are zeroed out each year and must be fully justified for the next year. The same is true for professional services, software licenses and minor equipment. While it doesn’t make sense to apply this same approach to the relatively small number of permanent and part-time positions, the requirement to build from the ground up on these other expense categories is a prudent approach to reducing unnecessary spending.

On the Capital side of the budget, we are in a very strong financial position to make one-time investments in our infrastructure. This budget will invest \$5.1 million of General Fund Reserves to Capital improvements, primarily in highway infrastructure for continued work on the Broadway Roundabout, Broadway traffic calming, Digital Display Boards, Road Resurfacing projects, and funding for future pathway lighting and additional streetlights. This funding came predominantly from:

- Fiscal savings (under spending) by Departments totalling \$1 million in prior year.
- One-time Florida Power & Light (FPL) grant of \$2.7 million in prior year.
- Fiscal savings for unspent Contingency of \$500,000 over past two fiscal years.
- Non-ad valorem revenues exceeding budgetary estimates such as sales taxes, franchise fees, and charges for services caused by inflation, economic and construction activity \$664,000.

The FY24 Capital Budget has, as expected, ongoing challenges associated with inflation and the supply chain. Not much has changed in that regard since the last budget cycle, and as an example factory fleet orders are costing more and taking a much longer period of time to receive. In this budget, I am recommending that we move up our capital requests to order fire truck and ambulance replacements so that we can receive them when we actually need them.

We are preparing to close out the Utilities Undergrounding Project once Florida Power & Light has obtained final equipment for the Town’s contractor, Wilco Electrical, LLC, to install and complete connections, energize, and then poles can be removed. The close out process includes some internal review of costs, turning over assets to FPL, recalculation of assessments, and communications with property owners including a new opportunity to pre-pay assessments.

The Town has many projects in progress, such as the GMD Corridor Plan, Broadway Roundabout, Town Center Phase 2, Greer Island sand relocation, ongoing I.T. infrastructure improvements and the establishment of a Canal Assessment Program, among others, that are included in the Budget. The Town committed one half of its ARPA funds to Street Drainage and Sea Level Rise projects last year and is actively pursuing grants related to sea level rise mitigation efforts.

The housing market is staying strong in Florida and is expected to remain so with two consecutive years of double-digit increases in property values. Southwest Florida has experienced an influx of new people moving to Florida with continued growth of new construction. Demand for new housing will likely continue, despite higher mortgage rates and Sarasota remains a sellers’ market with higher prices and homes selling faster. Longboat Key is looking forward to the grand opening of the renowned St. Regis Longboat Key Resort, currently under construction which is expected to impact our FY26 Budget cycle.

The County Property Appraiser’s July 1 certified property values increased 13.11% (12.87% Sarasota County and 13.64% Manatee County), which would produce \$1,820,612 of additional revenue using the same mill rate of 1.9900.

In deciding upon a recommended mill rate we looked at various scenarios and potential impacts looking forward to FY25 and FY26 with a goal to keep the mill rate as flat as possible for the next two

to three years. Based on this analysis and feedback from the Commission at the June Budget Workshop, the maximum millage was set at 1.9900 which is one of the lowest rates for a full-service city in Florida. However, with the slight increase in revenues from the preliminary values to the final values, I am recommending that we reduce the mill rate slightly to 1.9600 which is sufficient to fund all of the recommended investments.

Strategic Planning/Initiatives

The backdrop for strategic planning this year included a look at the near-term economic picture and the longer term. For the near term, the U.S. economy continues to spar with a recession, however that continues to get pushed out. The Federal Reserve's aggressive rate hikes have tempered inflation, however as was mentioned earlier Florida and region's like Sarasota/Manatee continue to see much higher inflation rates with a State and regional economy that shows little signs of cooling off. Certainly, the current and anticipated building activity on Longboat continues to show confidence in the value of island living.

Longer term outlooks continue to show Florida and our area in a good light, although I don't think many on the island would be upset if a fewer number of people were finding their way to our State in the future. The growth the State has seen since 2020 places a tremendous strain on existing resources (growth doesn't pay for itself) and infrastructure (roads, schools, utilities and also the service infrastructure like public safety, and community services).

The Town wisely undertook a detailed four-part assessment of the impacts from sea level rise on our island as it is a severe long-term threat to our community where the highest point is a mere 12 feet above sea level and most of the community well below that mark. The community conversations and planning to harden the Town (and the resources that it will take) to protect property and property values are going to be some of the most important conversations we will have over the next several years. The Town is choosing to be proactive when it comes to raising awareness and finding the best solutions to this long-term challenge and it will require everyone to be at the table.

With all of this in mind, this past year the staff worked with the Commission to update our Strategic Plan. The Plan recognizes five main goals:

- **Community Character** – *Protect the premiere quality and character of LBK through proactive planning and enforcement of Town codes*
- **Fiscal Sustainability** – *Maintain a healthy financial environment by balancing needs and protect initiatives with affordability.*
- **Environmental Resiliency** – *Adopt strategies, reduce exposure and mitigate impacts to our natural resources. Reduce risk and retain or improve physical and environmental assets.*
- **Infrastructure** - *provide functional, sustainable and aesthetically pleasing infrastructure through quality maintenance and enhancement of physical and technological infrastructure and services in a fiscally prudent manner.*
- **Services** – *Balance services to both available resources and public expectation while embracing a culture of outstanding service to an engaged community.*

There are 46 Strategic Initiatives that fall under the five goals, and they become the workplan for Town staff over the next several years. The Commission meets bi-annually for strategic planning retreats to discuss longer term initiatives to help guide future planning.

As part of the 2024 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:

Community Character

- We are advancing the concept of a community center with a public library, adult education, and a multipurpose space on the South parcel at the Town Center. 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 preserving a buildable area for a future community facility. Phase 2 provides improvements such as hard surface walkways, a permanent stage, public restrooms, landscaping, locations for tents and space for food trucks with provisions for power and water. The grand opening is planned for November 11, 2023. Phase 3 includes the concept of a community center with a Sarasota County funded public library with classrooms and meeting space to support an educational component, as well as a multipurpose space. The County has agreed to fund initial planning and design. The design effort will be done in partnership with the Town and include a public process for other stakeholders.
- We are continuing to pursue funding opportunities and partnerships with FDOT and others to design and implement elements of the Town's approved GMD Complete Streets Corridor Plan. The long-range plan improvements would enhance the multi-use pathway, bike lanes, add turn lanes, landscaping, and other improvements to better the functionality and safety of the corridor. The Town's consultant is developing a cost estimate and phasing plan that can be used in discussions with the FDOT to seek construction dollars. The Town is transferring \$4.8 million of General Fund reserves towards GMD and trail lighting projects, which we will strive to work into the future GMD Complete Streets Corridor Plan roadway improvements.

Fiscal Sustainability

- The Town is in the process of establishing a funding methodology program for canal navigational maintenance. 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 has been engaged to move the program forward with the first assessments to begin in FY25.
- The Town will continue to seek grants and State and Federal appropriations to offset costs for a subaqueous wastewater line, flood mitigation and resiliency improvements as part of the Comprehensive Sea Level Rise Adaptation Plan as well as other major capital projects. In this effort, we have hired a full time Grant Coordinator in July 2023 to research and pursue grant opportunities, who will work with the various departments, lobbyist and consultants, and ensure compliance with the grant reporting requirements.

Environmental/Resiliency

- The Town is enhancing the resiliency of Town Hall through the Hazard Mitigation Grant Program (HMGP) under Storm IRMA in FY21 to replace the Town Hall's generator, windows, and harden the roof for which the Town received no bids originally. FEMA, through the Florida Department of Emergency Management (FDEM), granted an extension so the work could be re-bid during FY23. Inflationary pricing delayed the project further causing us to seek additional funding for the project. We recently received a verbal approval from FDEM, now under review by FEMA, and have adjusted those budgets for the additional cost of \$708,088 and grant dollars of \$509,823 (72% FEMA / 28% Town cost share) with a net additional contribution of \$198,265 by the Town.

- Regarding environmental initiatives, the Town continues to explore and make investments that will improve our environment from water quality to hybrid vehicles. Additionally, staff is developing measurable and actionable environmental goals and objectives and will provide recommendations for the Commission to consider at the next Commission Strategic Planning Retreat this Fall.
- We are pursuing methods of implementation using Town matching funds for the Comprehensive Sea Level Rise Adaptation Plan and neighborhood flood mitigation efforts.

Infrastructure

- The Five-Year Capital Improvement Plan has identified \$42.8 million in critical capital needs to the Water and Wastewater System including the replacement of Asbestos Cement Pipe Water Mains in Country Club Shores and the replacement of Subaqueous Wastewater Force Main in FY24-FY25. FY24 is year three of a multi-year rate increase. The rates were recently amended at the June 5, 2023, Regular Meeting to account for a Manatee County pass-through rate adjustment of 9.75% effective on June 1, 2023, and again on June 1, 2024. The long-term plan assumes financing of \$27.1 million with the remainder being funded with cash reserves, grants and user rate collections. The Utility Fund received \$2.05 million of State grants to repair and reline a portion of the Subaqueous line which took place during FY23 and the Legislature has awarded \$1.542 million in State grants toward the Asbestos Cement Pipe Project. Additional Federal Appropriation Requests are pending for Subaqueous Force Main (\$3M) and Asbestos Cement Pipe Replacement (\$12.75M). The Town is working with FDOT to secure construction of the Broadway roundabout. Design was substantially complete when FDOT pulled the project due to technical specification design changes. The Town is working on a solution to ensure a commitment of \$1.685M for construction is adopted in the FDOT Work Program (FY25). The budget also includes funding for traffic calming circles on Broadway.

Services

- The Town will work with Manatee County and the Manatee School Board on a North Island Community Center.
- We will continue to work with County Partners to implement a unified public transit system on the island.
- The FY24 Budget includes continued funding for the annual Citizens Survey, a new parks position to help manage the outdoor venue, and we will work to leverage our undergrounding infrastructure to enhance smart city services.

This FY24 Recommended 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 Recommended Budget. This proposal represents a balanced budget for the Town of Longboat Key for FY24 and is prepared in compliance with Town Charter and applicable State and local laws.

Summary

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 meeting the high expectation of "exceptional service" for our premier community.

The operating budget is balanced with slightly more revenues than expenditures and the capital program is funded in large part from a build-up of excess Fund Balance. The result is a budget that shows, for this coming fiscal year, a larger than usual increase in spending, however as this one-time funding is spent down the budget in the following years will return to a more normal pattern.

The Town staff and I are grateful to the Mayor and Commission for your engagement, discussions and direction during this budget process as we finalize the FY24 Budget. I especially want to thank Finance, the Budget Staff, and Department staff for their dedication at all stages of the budget development process. I look forward to discussing the Recommended Budget further to meet your expectations and priorities.

Respectfully submitted,

Howard Tipton
Town Manager

Budget Highlights

General Fund Budget

The Recommended Budget of \$25,695,614 represents a \$7,898,840 increase (44.4%) in spending from the previous fiscal year's Adopted Budget of \$17,796,774. The General Fund Operating Expenditure budget (without capital) for FY24 is \$20,595,614, a \$2,798,840 or 15.7% increase.

Capital Expenditures includes transferring \$4.8 million of excess reserves to the Streets Capital Fund and \$300,000 to the Miscellaneous Capital Project Fund. Expenditures exceed revenues by \$4,571,489. There is a recommended reduction in the Operating Mill Rate to 1.9600. The Mill Rate may be reduced further but may not exceed 1.9900, which is the maximum mill rate set by the Commission on June 30, 2023.

Below is a summary of Revenues and Expenditures in the Preliminary Budget using a proposed millage rate of 1.9600.

Description	Amount
Total Revenue	\$21,124,125
Total Operating Expenditures	<u>(20,595,614)</u>
Net income before capital outlay	528,511
Total Capital Expenditures	<u>(5,100,000)</u>
Use of Fund Balance	(\$4,571,489)
Total Expenditure Budget	<u>\$25,695,614</u>

General Fund Revenue

Based on the July 1 Certified Values from the Property Appraisers, Manatee County values increased 13.64%, and Sarasota County values increased 12.87% with a combined increase of 13.11%. The FY24 taxable base of \$8.35 billion, using the reduced mill rate of 1.9600, provides \$15,718,886 of ad valorem taxes which is an additional \$1,580,016 from the prior year.

Non-ad valorem revenues total \$5,405,239 and increased \$1,040,261. A large portion of this was investment income projected to be \$354,500 more than FY23. Also included is \$100,000 revenue for a new Vacation Rental Registry Program adopted in FY23 and set to begin by October 1, 2023.

Franchise Fees and Intergovernmental Revenues continue to show growth due to the rise in cost of goods from inflation and additional construction activity, driving sales tax revenue higher.

Operating revenues exceed operating expenses by \$528,511.

General Fund Expenditures

Expenditures include wages related to the third and final year of a Collective Bargaining Agreement with the International Association of Firefighters (IAFF), that was recently reopened for wages only, and the first year of a new Police Benevolent Association's (PBA) contract approved by the Commission. The Town had to make concessions in order to be competitive following 18 vacancies over the past two years. The PBA contract provides an average pay increase of \$27,300 over the three-year contract. The IAFF contract provides an average increase of \$15,000 for FY24 only, with the reopener scheduled during the next fiscal year. A Pay Plan Adjustment for General non-union and at will employees was budgeted at 3.5% with merit increases ranging from 0% to 5% based on performance, in addition to adjustments for employees at the lower pay levels to meet their increasing financial pressures.

Overall, wages and benefits total \$16.8 million, which is 81.5% of the total operating budget and increased \$2.4 million or 16.7% from the FY23 Budget. Operating costs of \$3,812,602 increased \$399,532 or 11.7%. Capital Expenditures include a \$300,000 transfer to the Miscellaneous Capital Projects Fund and a \$4.8 million transfer to the Streets Fund primarily for highway infrastructure for continued work on the Broadway Roundabout, Broadway traffic calming, Digital Display Boards, Road Resurfacing projects, and funding for future pathway lighting and additional streetlights. The funding for capital outlay came from excess reserves over our fund balance policy requirements. Some of the notable expenses and increases are shown below:

- Fire (IAFF) and Police (PBA) Contracts Ratified
- Seven (7) New Positions (2.3 FTE's are paid for outside of the General Fund)
- Pension and FRS Contribution increases
- Health Care Increase 7.75%
- Property & Casualty Insurance may increase 30%+; Flood Insurance -Up to 20%
- Electricity –10% Estimated Increase
- Water/Sewer Utilities - 5% Increase plus Manatee Pass Through 9.75%
- Workers Comp 5% Estimated Increase based on salaries
- Life Insurance 4%
- Software license renewals
- Strategic Planning Software \$21,000
- Town Center Event Programming and Grand Opening \$20,700
- Required EMS Medicare Audit \$10,000.

Fund Balance

The Town Commission passed Resolution 2021-06 on March 1, 2021, amending the Town's Fund Balance Policy. The new recommended combined target range is 32% - 48% (120 – 180 days) of total budgeted expenditures (excluding capital outlay), which is in line with the range of reserves maintained by other municipalities that are comparable to the Town of Longboat Key. It is also greater than the 16% the GFOA considers a minimum and addresses the Town's risk analysis.

The Town's General Fund ended FY22 with a total audited Fund Balance of \$14,858,486. The Town has, in effect, built up its Fund Balance for the past several years due to reduced spending, position vacancies, lack of use of contingency and conservative budgeting practices for revenues. The Town also received a one-time payment from FPL of \$2.7 million in FY22 for access to our underground distribution feeders.

Early projections for FY23, forecast an additional \$1.7 million more revenue than originally budgeted mostly due to increased investment income and intergovernmental revenues from the State. Estimating expenses is a more difficult task, but early projections forecast that expenditures will also come under budget. The actual amount of Fund Balance is not verified until the completion of the annual audit each year, which takes place between three to six months after the end of the fiscal year being audited.

The FY24 Recommended Budget reduces our existing Fund Balance by \$4,571,489 for a total of \$10,994,071. This changes the number of operating days from 318 to 195, based on the calculated cost per day of \$56,426, but still exceeds the policy range of 120 to 180 days. The projected ending Fund Balance of \$10,994,071 excludes the any projected surplus for FY23.

The Town has the following Fund Balance reserves in accordance with the Fund Balance Policy for FY24:

- Unassigned 16% (60 days) \$3,386,000
- Economic Uncertainty/Revenue Stabilization 16% (60 days) \$3,386,000
- Extreme Events/Natural disasters 16% (60 days) \$3,386,000

An additional Reserve of \$750,000 for Future Capital remains in place for FY24.

All Other Fund Budgets

The Town maintains twenty-eight (28) 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 Recommended 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 authorized in prior fiscal years. This carryover amount will be updated prior to the September public hearings.

Special Revenue Funds

There are twelve (12) 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 in FY24 are estimated at \$6,944,9843 and total expenditures are \$8,124,449. The projected ending Fund Balance for September 30, 2024, for all special revenue funds is \$7,437,376.

Capital Project Funds

The Town has eight (8) Capital Project Funds, which 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. Capital 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, Canal Dredging, and Land Acquisition. Total revenues in FY24 are estimated at \$9,137,964 and total expenditures are \$29,425,401. Even though spending is higher than usual for the coming year, the projected ending Fund Balance for September 30, 2024, for all Capital Project Funds is \$8,565,917.

Debt Service Funds

The Town's five (5) 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 FY24 is \$5,929,271. Using the July assessed values the calculated mill rate for Facilities (Fire Stations) Debt is 0.0440, Beach Nourishment Gulf Side District Debt Millage is 0.6672, and for Bay Side District Debt 0.1668.

Enterprise Funds

The Town has two (2) Enterprise funds, the Water and Wastewater Utility Fund and the Building Fund. The Utility Fund uses two (2) funds for accounting purposes, one for operations and one for capital, which are combined for financial reporting purposes. Enterprise Funds are business-type activities generally used for services for which the Town charges a fee. Total revenues for the Utility and Building Funds are \$11,454,000 and \$1,177,550 respectively. Expenses are estimated at \$21,623,682 for the Utility and \$2,878,571 for the Building Department.

The tables on the following page contain the Summary Recommended Budget for All Funds for FY24.

FY 24 Budget - All Funds

FY24 Estimated Revenues

ESTIMATED REVENUES	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS	ENTERPRISE FUNDS	TOTAL ALL FUNDS
Ad Valorem Tax	15,718,886		3,929,931			19,648,817
Other Taxes	152,250	2,918,452				3,070,702
Franchise Fees	899,000		304,027			1,203,027
Licenses and Permits	22,700				1,132,050	1,154,750
Special Assessments		2,565,373				2,565,373
Intergovernmental Revenues	1,642,828	82,400				1,725,228
Charges for Services	498,300	821,102		136,000	9,424,000	10,879,402
Grants	500	395,288		1,557,803	1,542,000	3,495,591
Fines & Forfeitures	57,750	1,750			30,000	89,500
Investment Earnings	441,000	151,119	52,100	314,161	252,500	1,210,880
Miscellaneous	95,000	9,500		230,000	251,000	585,500
Transfers In	1,595,911		1,695,186	6,900,000	1,500,000	11,691,097
TOTAL ESTIMATED REVENUES	21,124,125	6,944,984	5,981,244	9,137,964	14,131,550	57,319,867

FY24 Recommended 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	443,925					443,925
Town Manager	509,025					509,025
Town Clerk	486,915					486,915
Finance	1,024,760					1,024,760
Information Technology	1,192,242					1,192,242
Support Services	676,355					676,355
Facilities	172,577					172,577
Police	3,905,462	315,884				4,221,346
Fire/Rescue	8,491,240	3,585	352,982			8,847,807
Emergency Management	31,400					31,400
Public Works	743,603	81,250	1,996,519			2,821,372
Parks/Recreation (Includes Beach and Canals)	413,182	25,000	3,577,600	902,984		4,918,766
Planning and Zoning	731,952					731,952
Streets	666,175	57,528				723,703
Tennis		766,592				766,592
Water					2,846,174	2,846,174
Wastewater					3,625,216	3,625,216
Building					1,805,924	1,805,924
General Services	766,401	5,323	2,170	157,159	3,011,597	3,942,650
Contingencies	300,000			2,282,641	250,000	2,832,641
Capital Outlay		3,374,101		26,654,664	11,367,431	41,396,196
Transfers Out	5,100,000	3,495,186			3,095,911	11,691,097
TOTAL RECOMMENDED EXPENDITURES	25,695,614	8,124,449	5,929,271	29,997,448	26,002,253	95,749,035

FY24 Recommended Fund Balances

SUMMARY	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS	ENTERPRISE FUNDS	TOTAL ALL FUNDS
REVENUES	21,124,125	6,944,984	5,981,244	9,137,964	14,131,550	57,319,867
EXPENDITURES	(25,695,614)	(8,124,449)	(5,929,271)	(29,997,448)	(26,002,253)	(95,749,035)
BEGINNING FUND BALANCE	15,565,560	8,616,841	25,096	29,425,401	36,397,283	90,030,181
ENDING FUND BALANCE	10,994,071	7,437,376	77,069	8,565,917	24,526,580	51,601,013

Capital Improvement Plan.

Since the August 1 Budget was released, all Carryover Balances were updated measured as of August 15, 2023 including the amendment made for Accela software.

The revised Five-Year Capital Improvement Plan is \$100,987,135 with \$44,239,097 to be funded in FY24 shown below:

Capital Improvement Plan FY 2024 – FY 2028

FY24-28 Capital Plan

Description	FY23 Carryforward	New Spending	FY24 Budget	FY25	FY26	FY27	FY28	Total
General Fund Ad Valorem Tax	\$1,194,424	\$1,260,588	\$2,455,012	\$221,000	\$524,000	\$28,000	\$251,000	\$3,479,012
Road & Bridge Fund	\$65,453	\$167,500	\$232,953	\$65,000	\$0	\$162,000	\$43,000	\$502,953
Sarasota Infrastructure Fund	\$1,023,037	\$1,335,000	\$2,358,037	\$890,322	\$825,072	\$1,846,322	\$1,332,822	\$7,252,575
Misc. Grant Fund	\$56,175	\$49,000	\$105,175	\$40,000	\$456,000	\$0	\$45,000	\$646,175
Manatee Infrastructure Fund	\$106,292	\$537,500	\$643,792	\$345,000	\$122,000	\$353,000	\$199,000	\$1,662,792
Streets Capital Fund	\$2,485,976	\$1,840,000	\$4,325,976	\$2,360,000	\$2,710,000	\$300,000	\$300,000	\$9,995,976
Land Acquisition Fund	\$360,885	\$0	\$360,885	\$0	\$0	\$0	\$0	\$360,885
Beach Capital Fund	\$4,716,800	\$2,397,500	\$7,114,300	\$1,245,000	\$595,000	\$5,285,000	\$1,005,000	\$15,244,300
Canal Fund	\$344,404	\$350,000	\$694,404	\$1,100,000	\$2,600,000	\$1,850,000	\$1,850,000	\$8,094,404
Parks & Recreation Capital Fund	\$50,487	\$100,000	\$150,487	\$0	\$0	\$125,000	\$117,500	\$392,987
Building Fund	\$458,875	\$186,000	\$644,875	\$0	\$47,000	\$50,000	\$0	\$741,875
Utility Capital Fund	\$6,947,556	\$3,775,000	\$10,722,556	\$22,425,000	\$1,615,000	\$1,755,000	\$1,665,000	\$38,182,556
GMD Undergrounding	\$9,484,905	\$0	\$9,484,905	\$0	\$0	\$0	\$0	\$9,484,905
Neighborhood Undergrounding	\$4,945,740	\$0	\$4,945,740	\$0	\$0	\$0	\$0	\$4,945,740
Totals	\$32,241,009	\$11,998,088	\$44,239,097	\$28,691,322	\$9,494,072	\$11,754,322	\$6,808,322	\$100,987,135

End of Agenda Item