

M E M O R A N D U M

TO: Town Commission
FROM: Howard Tipton, Town Manager
REPORT DATE: May 14, 2024
MEETING DATE: May 20, 2024
SUBJECT: Discussion Regarding Strategic Initiatives, FY25 Budget, and FY25-FY29 Capital Improvement Plan

Recommended Action

Provide direction to Manager for FY25 Strategic Initiatives, Budget, and FY25-FY29 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.

In May of each year, the Town Commission holds their first Special Workshop Meeting on the Budget for the upcoming fiscal year. This is an early review of the budget development in advance of the formal Preliminary Budget submittal due on June 15. One additional Special Workshop Meeting for Budget is scheduled for June 17, 2024, prior to the September public hearings when the October 1, 2024, to September 30, 2025, (FY25) Budget is presented for adoption.

Due to the time change from 9 a.m. to 10 a.m., the Budget Workshops will be shorter. In order to cover the Utility Rate Study, we have moved that item to the June 28, 2024, Special Meeting prior to setting the maximum mill rate.

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 10 a.m., May 20, 2024, Special Workshop Meeting for Budget, we will provide an overview of the FY25 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. We will also review the updated initiatives from the Commission's April Strategic Planning Retreat and the Commission's top priorities. This meeting will serve as the primary review of the Capital Fund Budgets and we will bring back responses to Commission questions or direction at the 10 a.m., June 17, 2024, Special Workshop Meeting.

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. The top twenty (20) Capital Projects make up 84% of the Five-Year Capital Plan, so we will emphasize our presentation on those major projects and spend less time of the smaller projects. There has been an \$11 million increase in Capital requests compared to submissions in the prior year for FY25-FY28, 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, especially Fire Trucks and Ambulances.

The Town has capital and infrastructure needs that exceed the size of our potential funding sources. We will review with you, the Sarasota County Infrastructure Surtax (IST) Phase IV. Phase IV is a 15-Year Budgeted Spending Plan (2025-2039) adopted by Resolution in 2022, submitted to Sarasota County, and approved by referendum in November 2022. This is considered a stressed fund caused primarily by the increase in costs of public safety vehicles and equipment and other inflationary costs.

As an example, the Fire Ladder Truck scheduled to be ordered in FY25, which was originally estimated at \$950,000 has grown to \$1.8 million, doubling in cost. In addition, the Police fleet is now having to be split between both Manatee County IST and the Sarasota County IST in order to match the timing of cash flow needs and their availability. I am proposing that we fund the ladder truck with General Fund Reserves in FY25. Despite those two changes, an adjustment to the revenue projections was also required to bring us back into balance over the 15 Year period.

We estimate that the Capital Plan, if adopted, would require an investment of General Fund Surplus Reserves of \$2.0 million in FY25, while still maintaining adequate reserves in accordance with the Town's Fund Balance Policy.

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, our ongoing pursuit of grant dollars 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.

Another stressed fund is the Utility Fund. 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. Later, Manatee County passed two 9.75% increases effective on June 1, 2023, and June 1, 2024, which we later incorporated into our rates with Resolution 2023-17 passed on June 5, 2023. The Utility's two major projects, the Asbestos Pipe Replacement and Subaqueous Force Main, will be discussed and our rate consultant will be presenting an update on June 28, 2024.

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 FY25, we have not yet decided on whether investment income budgets should be lowered from the FY24 budgeted amounts. 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, 2024, and the final values by July 1, 2024. At this stage of budget development, we are projecting an 8-10% 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. Due to time constraints for the upcoming Workshop we encourage you to review the

materials and prepare any questions you may have in case we are not able to cover all the material. The June Workshop will focus more on the General Fund and provide the proposed budgets for the Special Revenue, Capital Project, Debt Service, and Enterprise Funds.

Budget Schedule/Next Steps

- **May 20, 2024** – First Special Workshop Meeting for Budget. Review of Strategic Planning Initiatives, overview of process, and review of 5-year Capital Improvement Plan including the preliminary forecasts of the individual Funds.
- **June 1, 2024** - Preliminary property values received from both counties.
- **June 17, 2024** – Second Special Workshop Meeting for Budget. A review of General Fund Preliminary Budget will be presented and we will review all other Fund budgets (special revenue, capital, enterprise, and debt service).
- **July 1, 2024.** The County Property Appraisers Offices have until July 1, 2024, to certify property values. Your July Regular Meeting which would normally fall on July 1, 2024, has been moved to June 28, 2024, at 10 a.m. We anticipate we will receive the values early so that we may provide accurate data. Upon receipt of County values, the Finance Department will recalculate the FY25 Budget to provide for setting of the maximum millage rate at the June 28, 2024, Regular Meeting.
- **June 28, 2024 at 9:00 AM**- Special Meeting – Utility Rate presentation and Set Maximum Millage.
- **September 9, 2024 at 10:00 AM** – Final Special Workshop Meeting for discussion of FY24 Budget (if needed).
- **September 9, 2024 at 1:00 PM** - Resolutions 2024-08 (GMD) and 2024-09 (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 9, 2024 at 5:01 PM** - First reading and public hearing of Resolution 2024-10, which establishes the millage rates; and Resolution 2024-16 to adopt the FY25 Budget. First reading and public hearing on Ordinance 2024-08, which provides for adoption of the FY25 Capital Improvements Element (CIE) concurrent with adoption of the FY25 Budget.
- **September 23, 2024 at 5:01 PM** – Second reading, public hearing, of Resolution 2024-10, which establishes the millage rates; and Resolution 2024-16 to adopt the FY25 Budget. Second reading and public hearing to adopt Ordinance 2024-08, FY25 Capital Improvements Element (CIE) concurrent with adoption of the FY25 Budget.

Attachments (Available in the Town Clerk's office)
PowerPoint Presentation

End of Agenda Item