

# Memorandum

**TO:** Town Commission  
**FROM:** Howard Tipton, Town Manager  
**REPORT DATE:** June 15, 2024  
**MEETING DATE:** June 17, 2024  
**SUBJECT:** FY25 Preliminary Budget

## Recommended Action

Provide direction to Town Manager.

## 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 fifteenth 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 (CIP), and all operating fund budgets. Any changes made since the May 20, 2024, Special Workshop (Budget) have been highlighted.

## Town Manager's Preliminary Budget Guidelines

Budget guidelines for FY25 were as follows:

- Foster fiscal responsibility
  - Look for ways to reduce costs
  - Look for alternative funding sources
  - Maximize grants, earmarks, stimulus funds
  - Justification required for all increases
  - Maintain Compliance with Fund Balance Reserve Policy
- Maintain essential services
- Incorporate strategic planning initiative priorities
- Stay competitive in wages and benefits
- Incorporate uncontrollable fixed costs – technology, insurances, fuel, electric, natural gas, water/sewer, pension

## Town Manager's Message

It has been my honor to serve as your Town Manager for just over sixteen months and I am pleased to present the preliminary spending plan for the upcoming budget beginning October 1, 2024 and ending September 30, 2025 (FY25).

I continue to be inspired over the service-oriented team that I am honored to work with. In the FY25 Budget proposal, I am pleased to announce that we have allocated a 9.6% increase for personnel and benefits, ensuring the continued provision of essential services delivered in a high-quality manner to our community. It is important to note that General Fund personnel expenses constitute 73% of the total budget, and the additional investment in salaries, team building programs (like the E.N.G.A.G.E. Program), safety training, and other development opportunities to reach my goal of 20 hours of training for each employee annually, all reflect our ongoing commitment to retaining a strong and dedicated workforce who are committed to excellence serving this community.

The salary adjustments initiated in FY24 have had an insightful effect on the Town's capacity to attract skilled and seasoned staff and we want to continue these efforts in FY25. Special attention has been directed towards enhancing competitiveness in recruiting exceptional employees, particularly within the Police and Firefighter Paramedic departments, where recruitment challenges were previously encountered. We are committed to maintaining responsible financial management and providing the utmost level of service to our citizens within our economic abilities.

The County Property Appraiser's June 1 preliminary property values increased 9.61% (13.67% Manatee County and 7.78% Sarasota County). At our current mill rate of 1.9600, the increase in property values will produce additional revenue of \$1,481,016 compared to last year's budget to help fund the initiatives I have described.

Although a positive value increase was noted, it was not as extraordinary as the prior year. The preliminary taxable values indicate a general slowdown in the rate of growth in property values compared to the previous year (13.11% in 2023 vs 9.61% in 2024). Manatee County appears to be outpacing Sarasota County in terms of growth. This could indicate different underlying factors at play in each county's real estate market, such as varying levels of demand, economic conditions, or development trends.

The Sage Condominium development, likely contributed to Manatee County's higher percentage increase. Longboat Key is looking forward to the grand opening of the renowned \$800 million St. Regis Resort this year, which will impact our tax roll in the next budget cycle (FY26).

The FY25 Budget continues to grapple with the persistent challenges posed by inflation. While there has been a slight deceleration compared to the previous budget cycle, delays in factory fleet orders are extending considerably, prompting us to advance our capital requests. This proactive approach ensures that we can place orders well in advance, particularly for critical assets like fire trucks and ambulances.

Every April we hold a Commission Retreat to discuss the most important issues of the day including both short term and long-term goals. Some of the top priorities which are included in the budget are listed below.:

- Canals – advancement of seagrass mitigation
- Street Resurfacing
- Flooding and Resiliency
- Subaqueous Force Main Replacement
- Gulfside Road Beach Front
- Undergrounding closeout
- Broadway Roundabout redesign
- Implement Building and Planning Department Software
- Revising the FY25 Citizen survey

The spending plan on the capital side of the budget aligns perfectly with the Town's most important strategic initiatives.

The Utilities Undergrounding Project is wrapping up by the end of September. We will then prepare to close out the Project which will involve audit of costs, redemption of bonds, turning over assets to FPL, recalculation of assessments, and communications with property owners including a new opportunity to pre-pay assessments.

Town staff has been talking about critical capital needs of the Water and Wastewater Utility System for over three years which include the replacement of an Asbestos Cement Pipe Water Main in Country Club Shores and the replacement of Subaqueous Wastewater Force Main.

A Commission approved, 5-year annual rate increase, was 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 June 1, 2024. That long-term plan assumed 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 awarded \$1.542 million in State grants toward the Asbestos Pipe Project, currently being collected.

Additional Federal Appropriation Requests are pending for Subaqueous (\$3M). On June 28, 2024, Town staff and consultants will present an updated financing plan to fund these major projects.

Since the May 20, 2024, Budget Workshop we made only minor changes to the Capital Plan. Carryover balances from FY24 were updated, we revised some police equipment requests based on new pricing received and added the placeholder project of \$200,000 for the St. Regis donation that will be in soon.

The Town has many projects in progress, such as the Broadway Roundabout, Town Center Phase 3A with the County Library addition as well as a turf partnership with the Longboat Key Club, ongoing I.T. infrastructure improvements and the expectation that we will establish a Canal Maintenance 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.

We are also in a very strong financial position to make one-time investments in our infrastructure. This budget will invest \$1.9 million of General Fund Reserves predominantly to fund the Fire Ladder Truck. While we would normally use Infrastructure Surtax dollars for this, the continued inflation over the past three years has sent prices climbing. The Ladder truck alone nearly doubled in price. This has put added pressure on Sarasota's Infrastructure Surtax Phase IV.

In terms of environmental initiatives, the Town is actively exploring and investing in measures aimed at enhancing our surroundings (like a new boardwalk at Quick Point Preserve), spanning from bolstering water quality to adopting hybrid vehicles. Moreover, the staff is currently formulating specific, measurable environmental goals and objectives that will become part of our strategic initiatives.

In an effort to keep pace with inflation and address the needs of the community. I am recommending that we continue using a mill rate of 1.9600, which will result in \$1,481,016 of additional ad valorem revenues driven by growth in values and new construction. In addition, I propose using Fund Balance reserves of \$1,886,774 to balance the capital needs and fund the Fire Department Ladder Truck. Excluding capital transfers, the operating revenues exceed operating expenditures by \$113,226. While the average property value increase is 9.61%, homestead properties will be limited to a property value increase of 3%, the cap allowed by the Save Our Homes legislation.

In addition, to get the Canal Program started, we are proposing a 0.0570 mill rate to be used strictly for Canals and start the Sea Grass Mitigation area. We will spend time discussing Canals at the June 17, 2024 afternoon workshop.

### **General Fund Budget**

The Preliminary Budget of \$25,124,085 represents a \$571,529 decrease (2.22%) in spending from the current fiscal year's Adopted Budget of \$25,695,614. The preliminary General Fund Operating Expenditure budget (without capital) for FY25 is \$22,624,085. The increase to the operating and personnel expenses from the current fiscal year is 9.85%. Capital Expenditures includes transferring \$2 million of excess reserves to the Miscellaneous Capital Project Fund and \$500,000 to the Canal Dredging Fund. Preliminary expenditures exceed revenues by \$1,886,774.

On the following page is a summary of Revenues and Expenditures in the Preliminary Budget using a proposed millage rate of 1.9600 for operating and an additional millage rate of 0.0570 to cover the \$500,000 transfer to the Canal Dredging Fund.

<b>Description</b>	<b>Amount</b>
Total Revenue	\$23,237,311
Total Operating Expenditures	<u>(22,624,085)</u>
Net income before capital outlay	613,226
Total Capital Expenditures	<u>(2,500,000)</u>
Decrease to Fund Balance	(\$1,886,774)
Total Expenditure Budget	<u>\$25,124,085</u>

## Revenues

Based on the latest information from the Property Appraisers, Manatee County values increased 13.67%, and Sarasota County values increased 7.78% with a combined increase of 9.61%. The increase provides \$1,481,016 of additional ad valorem revenues using the same mill rate (1.9600) as the prior year. The recommended flat mill rate of 1.9600 will allow us to fund the new contracts for Police and Fire and make pay plan and merit adjustments for General employees.

Non-ad valorem revenues were increased \$132,170 based on latest projections. In FY24, we project to exceed our budgeted investment income amounts due to the eleven federal fund rate increases since March of 2022. As there is talk of the eventual decrease in rates, we are leaving most investment income lines flat, but will revisit later in the budget process and make appropriate changes if needed. The budget allocates \$50,000 for the Vacation Rental Registry Program, a decrease from \$100,000 in the previous fiscal year (FY24). Given the biennial renewal of this program, the allocation for FY25 has been adjusted to \$50,000.

Some notable increases include \$25,000 for the Greer Island Interlocal Agreement with Manatee County (for a total of \$85,000), \$40,000 increase in EMS fees, due to a rate increase, and \$74,000 for a new lease with AT&T for use of our conduit.

We will continue to monitor revenue projections now through September and adjust State Revenue Sharing estimates when they become available mid to late July.

## Expenditures

The FY25 Budget includes one new position, a town engineer, continued funding for a Federal lobbyist, and the Annual Citizen Survey. It continues to fund \$250,000 for General Contingency plus \$50,000 of contingency funding for Red Tide cleanup.

The Preliminary Budget includes costs for external Budget impacts, negotiated wage increases for Fire and Police, and merit-based compensation and market-based pay plan adjustments for General Employees. A compensation study is near completion for non-bargaining unit employees. To stay competitive, I have recommended that the pay plan be adjusted by 2% and include a 1.5% market adjustment to reflect inflationary concerns. A merit-based adjustment between 2%-5% will be applied after performance reviews are completed by the end of August.

We are also still waiting for health insurance renewals (budgeted 12% and keeping the employer/employee cost share the same), Property and Liability coverage renewals, State revenue estimates are expected in mid-July, and we will recalculate Building and Utility indirect cost transfers. The value of all of these unknowns are built into our Contingency line until September. Our Department budgets will be adjusted accordingly by the first September public hearing on the FY25 Budget. Department operating budgets are generally remaining flat with the exception of inflationary pressures on the Budget, some of which are noted below:

- Property / Casualty and Flood Insurances \$101,350
- Software support and IT equipment increases \$69,407
- GIS and Other Potential Contract Services \$67,700
- Facilities – R/M Buildings and Custodial increases \$9,000
- Fire - Medical Director up 3% and physicals up 3%
- Police – Uniforms Other Equipment \$26,000
- Police – Accreditation Continuance \$70,000 (formerly grant funded)
- Various departments - Training for new staff

## Fund Balance.

The FY24 Budget was originally adopted with a use of Fund Balance Reserves of \$4,571,489 (Budgeted Expenditures exceed Budgeted Revenues). Several factors are likely to contribute to some positive variances for the year for FY24.

- We expect EMS Fees to exceed estimates by \$110,000, we have FEMA grants of \$107,000 from Idalia and investment income could be over \$375,000 higher.
- We expect some Departmental budgets to produce operating surpluses and we have not had to use any Contingency this year so far which totals \$300,000.

The projected ending Fund Balance for September 30, 2024, prior to any positive variances noted above, for the General Fund is \$13.2 million (a total that is inclusive of established reserves). We will continue to monitor this projection and make changes now through the September public hearings for any updates.

The Town has the following Reserves of Fund Balance in accordance with the new Fund Balance Policy based on \$56,426 cost per day for FY24:

Unassigned	\$3,386,000
Economic Uncertainty / Revenue Stabilization	\$3,386,000
Extreme Events / Natural Disasters	\$3,386,000
Total	\$10,158,000

Based on the Preliminary Budget for FY25, the cost per day increases to \$61,984 and the projected reserves need to be adjusted accordingly, shown below.

Unassigned	\$3,719,000
Economic Uncertainty / Revenue Stabilization	\$3,719,000
Extreme Events / Natural Disasters	\$3,719,000
Total	\$11,157,000

The amount needed to balance the budget of \$1,886,774 will come from Unassigned Reserves over the 60-day requirement to be used for one-time purchases in Capital Projects Funds. The additional Reserve for Future Capital will be reduced to \$100,050 and the amount exceeding the 60-day requirement will be reduced to zero. These reserves could be refilled with positive results expected from FY24's audit.

## 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 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 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 FY25 are estimated at \$7,335,109 and total expenditures are \$7,229,943. The projected ending Fund Balance for September 30, 2025, for all special revenue funds is \$7,577,641.

## 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 Beach Nourishment. Some of the major fund projects include GMD and Neighborhood Undergrounding, Beach Nourishment, Canal Dredging, and Land Acquisition. Total revenues in FY25 are estimated at \$6,155,513 and total expenditures are \$32,990,596. Even though spending is higher than usual for the coming year, the projected ending Fund Balance for September 30, 2025, for all Capital Project Funds is \$9,606,368.

### 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 FY25 is \$5,926,521. Using the June assessed values the calculated mill rate for Facilities (Fire Stations) Debt is 0.0404, Beach Nourishment Gulf Side District Debt Millage is 0.6116, and for Bay Side District Debt 0.1529.

### 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 \$45,058,038 and \$1,385,050 respectively. Expenses are estimated at \$53,746,418 for the Utility and \$2,922,460 for the Building Department.

### Capital Improvement Plan.

Since the May Special Budget Workshop, all Carryover Balances were updated measured as of May 22, 2024. Minor changes to the Capital Plan were discussed above and included in the table below.

The revised Five-Year Capital Improvement Plan is \$147,863,139 with \$79,380,243 to be funded in FY25 shown below:

*FY25-FY29 Capital Plan*

<i>Description</i>	<i>FY24 Carry-forward</i>	<i>New Spending</i>	<i>FY25 Budget</i>	<i>FY26</i>	<i>FY27</i>	<i>FY28</i>	<i>FY29</i>	<i>Total</i>
<b>General Fund Ad Valorem Tax</b>	<b>\$2,221,731</b>	<b>\$1,980,500</b>	<b>\$4,202,231</b>	<b>\$592,000</b>	<b>\$216,000</b>	<b>\$277,612</b>	<b>\$211,000</b>	<b>\$5,498,843</b>
<b>Road &amp; Bridge Fund</b>	0	65,000	65,000	0	162,000	8,000	80,000	\$315,000
<b>Sarasota Infrastructure Fund Phase 3</b>	1,891,944	<b>908,750</b>	2,800,694	0	0	0	0	\$2,800,694
Sarasota Infrastructure Fund Phase 4	0	285,000	285,000	721,616	507,166	3,264,666	640,666	\$5,419,114
<b>Misc. Grant Fund</b>	13,422	0	13,422	331,000	60,000	0	130,000	\$534,422
<b>Manatee Infrastructure Fund</b>	<b>291,867</b>	200,148	492,015	335,000	357,264	225,900	500,000	\$1,910,179
<b>Streets Capital Fund</b>	<b>5,464,258</b>	3,675,000	9,139,258	310,000	500,000	400,000	400,000	\$10,749,258
<b>Land Acquisition Fund</b>	(387)	100,000	99,613	0	0	0	0	\$99,613
<b>Beach Capital Fund</b>	<b>3,471,806</b>	2,380,000	5,851,806	545,000	5,160,000	1,005,000	36,345,000	\$48,906,806
<b>Canal Fund</b>	<b>584,348</b>	100,000	684,348	2,288,004	100,000	100,000	4,455,502	\$7,627,854
<b>Parks &amp; Recreation Capital Fund</b>	<b>75,364</b>	<b>225,000</b>	300,364	100,000	125,000	117,500	100,000	\$742,864
<b>Building Fund</b>	465,166	89,000	554,166	47,000	50,000	0	0	\$651,166
<b>Utility Capital Fund</b>	<b>7,981,734</b>	34,695,000	42,676,734	1,645,000	1,915,000	1,835,000	2,320,000	\$50,391,734
<b>GMD Undergrounding</b>	<b>8,476,471</b>	0	8,476,471	0	0	0	0	\$8,476,471
<b>Neighborhood Undergrounding</b>	<b>3,739,121</b>	0	3,739,121	0	0	0	0	\$3,739,121
<b>Total</b>	<b>\$34,676,845</b>	<b>\$44,703,398</b>	<b>\$79,380,243</b>	<b>\$6,914,620</b>	<b>\$9,152,430</b>	<b>\$7,233,678</b>	<b>\$45,182,168</b>	<b>\$147,863,139</b>

The following provides a summary of all Funds government-wide:

## FY 25 Budget - All Funds

### FY25 Estimated Revenues

ESTIMATED REVENUES	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS	ENTERPRISE FUNDS	TOTAL ALL FUNDS
Ad Valorem Tax	17,699,902		3,931,933			21,631,835
Other Taxes	156,000	3,170,523				3,326,523
Franchise Fees	899,000		304,027			1,203,027
Licenses and Permits	20,700				1,232,050	1,252,750
Special Assessments		2,549,739				2,549,739
Intergovernmental Revenues	1,650,828	85,600				1,736,428
Charges for Services	579,300	883,836		50,000	11,785,038	13,298,174
Grants		347,876		2,680,532	3,000,000	6,028,408
Fines & Forfeitures	58,250	1,750			30,000	90,000
Bond Proceeds					30,000,000	30,000,000
Investment Earnings	440,000	108,685	52,100	424,981	340,000	1,365,766
Miscellaneous	137,420	187,100			56,000	380,520
Transfers In	1,595,911		1,686,742	3,000,000	4,150,000	10,432,653
<b>TOTAL ESTIMATED REVENUES</b>	<b>23,237,311</b>	<b>7,335,109</b>	<b>5,974,802</b>	<b>6,155,513</b>	<b>50,593,088</b>	<b>93,295,823</b>

### FY25 Preliminary Expenditures

ESTIMATED EXPENDITURES	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS	ENTERPRISE FUNDS	TOTAL ALL FUNDS
Town Commission	38,140					38,140
Legal Counsel	424,000					424,000
Town Manager	509,151					509,151
Town Clerk	505,415					505,415
Finance	1,046,955					1,046,955
Information Technology	1,350,489					1,350,489
Support Services	686,870					686,870
Facilities	183,377					183,377
Police	4,029,766	380,732				4,410,498
Fire/Rescue	8,524,238	4,629	354,482			8,883,349
Emergency Management	19,900					19,900
Public Works (Includes Undergrounding)	743,203	81,250	1,991,769			2,816,222
Parks/Recreation (Includes Beach and Canals)	417,362	40,000	3,578,100	892,928		4,928,390
Planning and Zoning	725,862					725,862
Streets	714,985	55,000				769,985
Tennis		811,043				811,043
Water					2,940,094	2,940,094
Wastewater					3,498,233	3,498,233
Building					1,940,522	1,940,522
General Services	789,568	5,323	2,170	188,803	3,213,218	4,199,082
Contingencies	1,914,804			1,712,177	250,000	3,876,981
Capital Outlay		3,665,224		30,196,688	43,230,900	77,092,812
Transfers Out	2,500,000	2,186,742			5,745,911	10,432,653
<b>TOTAL RECOMMENDED EXPENDITURES</b>	<b>25,124,085</b>	<b>7,229,943</b>	<b>5,926,521</b>	<b>32,990,596</b>	<b>60,818,878</b>	<b>132,090,023</b>

### FY25 Fund Balance Summary

SUMMARY	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS	ENTERPRISE FUNDS	TOTAL ALL FUNDS
REVENUES	23,237,311	7,335,109	5,974,802	6,155,513	50,593,088	93,295,823
EXPENDITURES	(25,124,085)	(7,229,943)	(5,926,521)	(32,990,596)	(60,818,878)	(132,090,023)
BEGINNING FUND BALANCE	13,205,249	7,472,475	208,281	36,441,451	40,692,048	98,019,504
ENDING FUND BALANCE	<b>11,318,475</b>	<b>7,577,641</b>	<b>256,562</b>	<b>9,606,368</b>	<b>30,466,258</b>	<b>59,225,304</b>

## Budget Schedule/Next Steps

- **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)

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



**End of Agenda Item**