

# Memorandum

**TO:** Town Commission  
**FROM:** Tom Harmer, Town Manager  
**DATE:** June 12, 2019  
**SUBJECT:** FY 20 Preliminary Budget

## **Recommended Action**

Provide direction to Manager for FY20 Budget.

## **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 fifteen 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, and all operating fund budgets. Any changes made since the May 20, 2019, Budget Workshop have been highlighted.

## **Preliminary Budget**

My budget guidelines for FY20 were as follows:

- No increase in operating millage rate of 2.1144
- Continue to monitor and evaluate rate and fee structures
- Keep operating budgets flat
- Maintain publicly visible service levels
- Continue to seek more efficient methods of accomplishing the mission
- Carefully consider new projects and initiative impacts
- Identify stressed "Funds" and develop viable funding strategies using forecasting models
- Maintain support for the 5-year capital improvement plan for scheduled vehicle replacement and infrastructure improvements
- Meet reserve policy requirements of 90 Days Reserve
- Maintain our Budget Stabilization Reserve for future economic downturn

## **Budget Highlights**

The budget includes appropriations for the ongoing undergrounding of utilities including the installation of a fiber backbone and street lights. The Town is under contract for the design build of a new South Fire Station and the renovation of the North Fire Station. Major public safety fleet and equipment replacement includes a new fire aerial truck, ambulance, and replacement of the Town Hall generator. Public recreation requests are being addressed with partial funding for pickleball expansion at the Tennis Center and initial phase site prep and permitting for a Town Center outdoor venue.

The budget includes costs for external budget impacts, negotiated and anticipated wage increases for fire and police, and merit-based compensation for general employees. It continues \$100,000 contingency funding for Red Tide cleanup and \$250,000 for Town Commission contingencies.

## **General Fund Budget**

The preliminary General Fund operating budget (without capital) for FY20 is \$16,773,868. Revenues currently exceed non-capital expenses by \$23,358. The increase to the operating expenses from the current fiscal year is 2.6%. The preliminary overall General Fund operating & capital budget of \$17,214,868 represents a \$751,428 (4.6%) increase in spending from the current fiscal year's adopted budget of \$16,463,440. Expenditures exceed revenues by \$417,642, and with no increase in the operating mill rate, the fund balance reserve would be reduced by that amount to 180 operating days. The projected ending fund balance for September 30, 2020, for the General Fund is \$8,285,921. The Town Commission has the following assignments of fund balance currently in place:

Pension Liability Assignment	\$1,310,075
Economic Uncertainty	\$1,350,000

Below is a summary of Revenues and Expenditures in the preliminary budget using a flat millage rate of 2.1144.

Total Revenue	\$16,797,626
Total Operating Expenditures	<u>(16,773,868)</u>
Net income before capital outlay	23,358
Total Capital Expenditures	<u>(441,000)</u>
Use of Fund Balance	(\$417,642)

The 5-Year Capital Improvement Plan was reviewed during the May 20, 2019, Budget Workshop. General Fund Capital Expenditures are follows:

Facilities – Generator replacement	\$160,000
Facilities – Exterior Painting -Town Hall	50,000
Facilities – Roof replacement	25,000
Facilities – Fuel Master System	25,000
Fire/Rescue – Bunker Gear	38,000
Fire/Rescue – Outboard Motor	26,000
I.T.-Fire MDT Replacements	36,000
I.T.-Firewall Replacement	30,000
I.T.-Server/Software Replacement	42,000
I.T Badge Card/Camera/Security System	<u>9,000</u>
Total General Fund Capital	<u>\$441,000</u>

## **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. 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 are estimated at \$5,543,710 and total expenditures are \$6,120,063. The projected ending fund balance for September 30, 2020, for all special revenue funds is \$4,840,373.

### **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 FY20 are estimated at \$2,925,742 and total expenditures are \$55,499,405.

### **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 Town scheduled debt payments for FY20 is \$5,473,052. Using the June assessed values the calculated mill rate for Facilities (Fire Stations) Debt is 0.0598 and for Beach Erosion Control District A Debt 0.6811, and for Beach Erosion Control District B Debt 0.1703.

### **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 \$11,503,735 and total expenditures are \$18,592,201. The projected ending fund balance for September 30, 2020, for all enterprise funds is \$24,133,051.

### **Changes made since May 21<sup>st</sup> workshop**

#### **Revenues.**

Based on the latest information from the property appraisers, the increase in taxable value of 3.21% would generate \$22,645 in additional ad valorem revenue using the same mill rate (2.1144) as FY19. We originally estimated a 2.5% increase in property values, however, Sarasota came in at 2.71% and Manatee County came in at 4.40% resulting in a blended increase of 3.21%.

We increased the early payor discount from 3.5% to 4% to be consistent with all of our ad valorem forecasts.

Investment income from pooled cash and investments was recalculated for all funds and other minor changes to non ad valorem revenues increased revenues \$6,350.

#### **Expenditures.**

We made slight changes to personnel and operating costs decreasing expenses by \$28,650.

#### **Capital Improvement Plan.**

We removed \$1.3 million for Center Turn Lanes in FY21 due to limited funding sources.

#### **Fund Balance.**

Since the May Workshop, we reviewed the current FY19 budget status and projected an operating surplus in the amount of \$378,194 at year end, providing for a General Fund opening balance of \$8.7 million We will continue to monitor this projection and make changes now through the September public hearings for any updates.

Based on FY20 proposed expenditures of \$16,773,868 (excluding capital outlay), the cost per day is \$45,956.

### **FY 20 Budget - All Funds**

PRELIMINARY REVENUES	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS	ENTERPRISE FUNDS	TOTAL ALL FUNDS
Ad Valorem Tax	12,497,626	0	3,153,539	0	0	15,651,165
Other Taxes	130,000	2,013,328	0	0	0	2,143,328
Franchise Fees	686,000	0	304,027	0	0	990,027
Permits, Fees and Special Assessments	23,400	2,495,000	0	60,000	1,557,200	4,135,600
Intergovernmental Revenues	1,355,900	82,300	0	0	0	1,438,200
Charges for Services	442,400	721,985	0	0	8,276,000	9,440,385
Grants	0	136,005	0	706,475	0	842,480
Fines & Miscellaneous	56,150	3,440	0	0	115,580	175,170
Bond Proceeds	0	0	0	0	0	0
Income on Investments	275,800	91,652	44,077	939,535	304,955	1,656,019
Transfers In	1,329,950	0	2,042,911	1,219,732	1,250,000	5,842,593
<b>TOTAL PRELIMINARY REVENUES</b>	<b>16,797,226</b>	<b>5,543,710</b>	<b>5,544,554</b>	<b>2,925,742</b>	<b>11,503,735</b>	<b>42,314,967</b>

PRELIMINARY EXPENDITURES	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS	ENTERPRISE FUNDS	TOTAL ALL FUNDS
General Government	5,038,456	82,500	0	0	0	5,120,956
Public Safety	10,456,011	293,606	0	0	0	10,749,617
Cultural & Recreational	279,746	717,725	0	108,344	0	1,105,815
Transportation	649,655	7,900	0	0	0	657,555
Debt Service	0	0	5,473,052	0	314,403	5,787,455
Utility Services	0	0	0	0	5,496,663	5,496,663
Building Services	0	0	0	0	1,240,295	1,240,295
Capital	0	2,201,517	0	55,182,659	6,742,890	64,127,066
Other Financial Uses	350,000	2,101	1,900	208,402	2,218,000	2,780,403
Transfers Out	441,000	2,814,714	6,429	0	2,579,950	5,842,093
<b>TOTAL PRELIMINARY EXPENDITURES</b>	<b>17,214,868</b>	<b>6,120,063</b>	<b>5,481,381</b>	<b>55,499,405</b>	<b>18,592,201</b>	<b>102,907,918</b>

SUMMARY	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS	ENTERPRISE FUNDS	TOTAL ALL FUNDS
REVENUES	16,797,226	5,543,710	5,544,554	2,925,742	11,503,735	42,314,967
EXPENDITURES	(17,214,868)	(6,120,063)	(5,481,381)	(55,499,405)	(18,592,201)	(102,907,918)
BEGINNING FUND BALANCE	8,703,563	5,416,726	482,234	67,340,946	31,221,517	113,164,986
ENDING FUND BALANCE	<b>8,285,921</b>	<b>4,840,373</b>	<b>545,407</b>	<b>14,767,283</b>	<b>24,133,051</b>	<b>52,572,035</b>

### **Budget Schedule/Next Steps**

**June 17, 2019 - 2<sup>nd</sup> Budget Workshop.** At the June 17, 2019, Special Workshop for Budget discussion, the General Fund preliminary budget will be presented and we will cover all other fund budgets (special revenue, capital, enterprise, and debt service).

**July 1, 2019** - Certification of final property values. The County Appraisal Offices have until July 1, 2019, to certify property values. Your July Regular meeting falls on the same day. Upon receipt, the Finance Department will recalculate the FY20 Budget to provide for setting of the maximum millage rate at the July 1, 2019, Regular Meeting.

**July 1, 2019 at 1:00 PM**- Regular Meeting - Set Maximum Millage.

**August 1, 2019** - A Final (Recommended) Budget with an accompanying message from the Town Manager.

**September 9, 2019, at 9:00 AM** – Final Special Workshop for discussion of FY20 Budget (if needed).

**September 9, 2019, at 5:01 PM** - First reading and public hearing of Resolution 2019-08, which establishes the millage rate; and Resolution 2019-09 to adopt the FY20 Budget. First reading and Public hearing on Ordinance 2019-04, which provides for the adoption of the FY20 Capital Improvements Element (CIE) concurrent with adoption of the FY20 Budget.

In addition, Resolutions 2019-10 and 2019-11 will be presented for the Certification of the Annual Assessment Rolls for both the Neighborhood and GMD Utility Undergrounding Projects (must be passed prior to September 15 each year).

**September 23, 2019, at 5:01 PM** – Second reading, public hearing, of Resolution 2019-08, which establishes the millage rate; and Resolution 2019-09 to adopt the FY20 Budget. Second reading and Public hearing to adopt Ordinance 2019-04, FY20 Capital Improvements Element (CIE) concurrent with adoption of the FY20 Budget.

Staff will continue to work on the budget in anticipation of the July 1, 2019, Regular Meeting where the Commission will set the maximum millage. Certified Taxable Values are expected from the Property Appraisers on July 1, 2019.

**End of Agenda Item**