

MEMORANDUM

September 24, 2019

TO: Honorable Mayor and City Commissioners

VIA: Kenneth Fields, City Manager

FROM: Dorothy Abbott, Finance Director

RE: Ordinance 2019-08, Adoption of FY2019-20 Millage Rate – 2nd Reading & Public Hearing
Ordinance 2019-09, Adoption of FY2019-20 Budget – 2nd Reading & Public Hearing

SYNOPSIS: The Commissioners will consider adopting a millage rate of 6.9339 mills for Fiscal Year 2019-20. The Commissioners will also consider adopting the proposed operating budget.

RECOMMENDATION

After second reading and separate public hearings, it is recommended that the City Commission take the following actions:

1. Approve Ordinance 2019-08, adopting a millage rate of 6.9339 mills for FY2019-2020, which is the rolled-back rate;
2. Approve Ordinance 2019-09, adopting an operating budget for FY2019-2020.

BACKGROUND

In accordance with Florida Statutes and the City Charter, Ordinances 2019-08 and 2019-09 are presented for first reading and public hearing. Ordinance 2019-08 establishes the millage rate for FY19'20, and Ordinance 2019-09 adopts the proposed FY19'20 budget. These ordinances must have separate public hearings and must be voted upon individually.

The proposed FY19'20 budget document includes the revenue and expenditure details for the General Fund, CRA Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Utility System Fund and Airport Fund.

This budget has been prepared in accordance with Article VI, Section 6.04 of the City Charter, which requires that the budget provide a complete financial plan of municipal funds and activities. Estimated current year ending fund balances have been considered and are included in the budget.

PROPERTY TAX

On July 16, 2019, the City Commission adopted an Interim Millage Rate of 7.0438. The proposed budget was balanced on a Millage Rate equal to the roll-back rate of 6.9339 millage rate per \$1,000 taxable valuation.

BUDGETARY CHANGES IN GENERAL FUND "REVENUE SOURCES & TRANSFERS IN" FOR FY19'20 COMPARED TO FY18'19:

General Fund revenues in FY19'20 (\$13,999,789 + 1,538,322 – 211,322 impact fee reimbursement – 1,293,326 financing/leases = 14,033,463) are projected to be \$717,907 greater than budgeted in FY18'19 (\$13,836,708 + 1,225,000 – 1,746,152 financing/leases = 13,315,556). An expected increase of \$717,907 is mainly due to the following items:

- Increase in ad valorem tax of \$131,744
- Decrease in sales and use taxes of \$150,050 due to allocation needed for debt service items.
- Increase in licenses and permits of \$250,000 due to \$150,000 increase in franchise fees and \$100,000 increase in building permits.
- Decrease in special assessments of \$32,000 conservative margin for deferred receipts.
- Increase in intergovernmental revenues of \$119,540 mainly due to expected grants for the Museum/Depot
- Increase in charges for services of \$219,436 mainly due to \$85,736 increase in management fees for water/sewer, \$52,800 management fees for storm water, \$68,000 increase in garbage fees and \$10,500 increase in collection fee for county impact fees.
- Increase in fines and forfeitures of \$48,250 mainly due to count and code enforcement fines.
- Increase in miscellaneous revenue of \$28,987 mainly due to \$13,000 for Ridge League Dinner, \$3,900 staffing community center, \$2,500 Museum donations, \$10,000 reimbursement of prior year insurance.
- Increases in transfers in of \$102,000 due to transfer from Utility Fund to the General Fund

BUDGETARY CHANGES IN GENERAL FUND “OPERATING EXPENDITURES” FOR FY19'20 COMPARED TO FY18'19:

General Fund “operating” expenditures in FY19'20 are projected to be \$14,206,288, which is \$911,062 greater than budgeted in FY17'18 \$13,295,226.

Significant changes in “operating” expenditures include the following items:

- Net increase in personnel salaries/wages of \$448,924, mainly due to a 2% COLA \$124,497, \$231,159 new positions and \$93,268 due to promotions, additional task, merit increase and collective bargaining agreement increases.
- Net increase in personnel payroll taxes, workers compensation, pensions and insurance of \$151,349.
- Net increases in operating cost of \$310,789, mainly due to \$212,946 additional operating costs for parks, recreation, special events, and museum. Of the \$212,946 increase, \$111,000 is directly related to the projected professional service contract the City would have with the YMCA to run the day to day operations of the YMCA building if the City purchases this property.

GOVERNMENTAL FUND BALANCE

As of September 30, 2018, the City's governmental funds reported combined ending fund balances of \$7,974,320. An increase of \$582,180 for the year. Approximately 34% (\$2,712,511) of total funds balance is available for spending at the government's discretion (unassigned)

In 2011, the City established a reserve policy for the General Fund equal to 15% - 20% of total operating costs. As of September 30, 2018, the general fund's unassigned fund balance represented 19.6% of total general fund expenditures, while total fund balance represents 31% of the same amount.

SUMMARY OF ALL FUNDS

General Fund	\$18,138,111
CRA Fund	4,280,175
Special Revenue Funds	2,574,418
Debt Service Fund	2,211,804
Capital Projects Fund	1,260,000
Cemetery (LWMG)	430,431
Utility System Fund	25,262,725
Airport Fund	851,348
Stormwater Fund	550,000
TOTAL	55,559,012

The expenditure total of \$42,758,870 is comprised of operating costs in the amount of \$27,222,044 and capital outlay in the amount of \$15,536,826. Transfers in the amount of \$2,743,092 bring total expenditures plus transfers to \$45,501,962.

Note: Capital expenditures proposed for FY19'20 are itemized in "Schedule C" within the budget document.

CONCLUSION

As the local economy has been improving over the last several years, the City's has been able to provide a higher level of service to the community. There is no question that the City's financial resources were severely strained during the Great Recession of 2008 (2007 thru 2014). The City continues to deal with the lingering impact of delayed infrastructure maintenance and economic growth within our City. However, recent trends in both new commercial and residential development, including the reuse of formerly vacant existing buildings indicates that the City's tax base is once again beginning to grow and that recent economic development efforts are paying off. It is expected that the 2019'20 Fiscal Year the City will see even greater growth in the ad valorem tax base and the expansion of city services will lead to additional voluntary annexations into the city.

While economic growth is expected to continue, although potentially at a lower rate, delayed maintenance issues and continuing increases in operating costs for services will require for Fiscal Year 2020-2021 the City Manager and upper-level staff to begin looking a issues such as the City Commissioners' desired level of service, General Fund sustainability and funding availability for future capital projects within the City. While the City's tax base has and will continue to grow, it must be recognized that much of this additional revenue is reserved for use only within the CRA areas of the City and cannot be used to support existing levels of service. It can be used to support additional CRA capital investment to increase the tax base but

the additional revenue generated must still remain within the CRA area. This issue will need to be addressed in future fiscal years.

ATTACHMENTS

Ordinance 2019-08 Adopting FY 2019'20 Millage Rate

Ordinance 2019-09 Adopting FY 2019'20 Operating Budget

Budget Summary, Fiscal Year 2019-2020