

July 21, 2022

RE: Budget Status Update

Mayor and City Commissioners:

In preparation for the upcoming budget workshops scheduled for August 1, 11 & 15, I would like to provide you a quick overview.

The August 1st workshop will discuss the following funds:

Operating and Capital Budgets

Governmental and Special Activity Funds, including;

General Fund

Building Permit Fund

Beach Fund

Code Remediation Fund

Golf Fund

IT Internal Service Fund

Garage Internal Service Fund

Self-Insurance Internal Service Fund

Employee Benefit Fund Internal Service Fund

Debt Service Fund

The August 11th workshop will discuss the following funds:

Operating and Capital Budgets

Enterprise Funds, including;

Electric Fund

Water Fund

Local Sewer Fund

Regional Sewer Fund

Stormwater Fund

Refuse Fund

August 15th; Topics to be determined.

Stantec will be attending each of these meetings remotely to provide financial modeling, and sensitivity analysis.

The first budget submission provided to you, and that which is currently being used during budget discussions with the Commissioners and with Departmental staff, was developed using

fundamental budget assumptions. These assumptions were provided to you earlier, but in summary they are:

Budget Parameters;

- Zero Base budgeting- each budgetary control line number is developed, and substantiated, by providing a detail itemization of expenditures/contracts. Exceptions include; utilities, charge backs, and other generalized expenditures. Also, each line number exceeding \$5K requires zero-based itemization.
- Level Service Budget - the same programs and the same level of service as the previous fiscal year.
- Supplemental Budget Requests, any new programs, or an increase in a line number appropriation, requires the submission of a Supplemental Budget Request providing the rationale for the increase.

Revenue Assumptions:

- Property Taxes: Property Tax information is not available until the county releases the data- late June, early July. Current tax receipt estimate - 6% increase. This estimate is based on previous year increases. This estimate is reasonable, maybe somewhat conservative as recent years have increased more, but over a ten-year history- reasonable.
- CRA- same as property tax.
- Intergovernmental Pass-throughs: analytical based on prior year activity, year-to-date activity and previous year's average activity.
- Local Receipts- same as intergovernmental plus department input.
- PILOT/Franchise Fees- 8% of total income- per policy
- Indirect Charge Backs. Per policy, the charge back for costs incurred in other departments that provide benefits to outside departments is based on percentage of operating plus capital budgets. The cost to be allocated to outside departments include services provided by the following department's operating expenditures

Expense Assumptions;

- Salaries and Benefits
 - Salaries- 3% increase over FY 2022
 - No new positions- reflected / captured with supplemental requests
 - Defined Benefit Pension Costs- per actuarial, 3% estimate but final amount based on Annual Required Contribution
- General Liability Insurance increase, estimated increase is 7%, however insurance consultant stated on Friday to expect increases between 15 and 20%- the final increase will be forthcoming
- Health insurance, although there is a projected zero percent increase, need to verify/finalize actual experience, including IBNR

- Vehicle Charges
- General Employee Pension Plan Annual Required Contribution- actuarial completing
- IT Charge-Back
- Utilities- based on historical consumption
- Debt Service- based on actual amortization schedules, will change depending upon final numbers for the upcoming Combined Utility Bond sale
- Indirect charges- based on percentage of operating and capital budgets
- Franchise / PILOT payments – 8% of revenues per policy
- Sherriff's Contract – currently budgeted at a 3% increase
- All other operating expenses- level service budget

As you know, the City Manager and Finance Staff have had ongoing meetings with both the Commissioners and Departmental staff to review the current budget proposal. These meetings will conclude on July 22nd. At this time, the budget will be updated to reflect the most current budget estimates. Accordingly, you will be receiving an updated budget on Monday, July 24th that will be reflective of these changes. This document will also be included as back-up as part of the Clerk's meeting documentation.

Thank you,
Bruce Miller, Finance Director