

MEMORANDUM

Date: June 29, 2018

TO: Town Commission
FROM: Tom. Harmer, Town Manager
SUBJECT: Setting of Maximum Millage Rate

Recommended Action

1. Assign a 30 day Economic Uncertainty Reserve in the General Fund.
2. Set the Maximum Millage Rates as follows:
 - a. Operating Millage- 2.1144
 - b. G.O. Debt Service Millage- .0477
 - c. Beach Bond Millage
 - i. District A- .7002
 - ii. District B- .1750

Background

Prior to setting the maximum millage rate for FY19, Town staff will be providing an update on final values from the property appraisers and an update on the General Fund budget development. During the May 21, and June 18, 2018 Special Workshops (Budget) staff discussed assigning an "Economic Uncertainty" Reserve to address a potential downturn in the economy or negative impacts to our revenues. As part of the General Fund update, I am recommending the Commission formally move to create this Reserve line in the General Fund as part of the FY19 budget.

The Town Commission is required to set a maximum millage rate for Fiscal Year 2019 (FY19) at the July 9, 2018 Regular Meeting.

The Maximum Millage Rate is the highest millage rate that the Town Commission could levy in September. The final millage rate could be lower, but not higher, than the maximum millage rate set at this meeting. I am recommending that the maximum millage be set the same as the FY18 final millage which is **2.1144**.

The Truth in Millage (TRIM) notices, requires that the Commission also set a maximum millage rate for the two Beach Erosion Control Special Districts. Beach nourishment projects began in the Spring of 2016. The Town borrowed \$10,720,908 on June 10, 2016, requiring annual debt service payments of \$2.8 million. The current millage rate for District A is .7272 and for District B is .1818. I am recommending the millage rate be set at **.7002 for District A and .1750 for District B** which is based on the required revenue to meet next year's debt payments.

We must also set the maximum millage rates for the General Obligation Facilities Debt. The FY18 millage rate is .0514. The recommended maximum mill rate for the General Obligation Facilities Debt is **.0477**. The debt service payment for FY19 is \$284,060. This millage rate will provide adequate funds to meet the debt

payment. These bonds will be retired in 2020 with the final taxing year being 2019.

Based on these recommendations the overall millage rate for the residents will be reduced as follows:

	FY18	FY19	% Change
District A			
Operating Millage	2.114	2.114	0%
Facilities Bond	.0514	.0477	-7.19%
Beach Special District	<u>.7272</u>	<u>.7002</u>	<u>-3.72%</u>
Total	2.8930	2.8623	-1.06%
District B			
Operating Millage	2.114	2.114	0%
Facilities Bond	.0514	.0477	-7.19%
Beach Special District	<u>.1818</u>	<u>.1750</u>	<u>-3.72%</u>
Total	2.3476	2.3371	-0.45%

The County Property Appraisers are required to certify taxable values to the Taxing Authorities by July 1, 2018. The certified values are included in this presentation. The rolled-back rate is 2.0061. The rolled-back rate is the millage that would generate the same amount of tax revenue, exclusive of new construction, as the previous year.

The Commission will be setting the maximum millage rate that will appear on the Truth in Millage (TRIM) notices at the July 9, 2018, Regular Meeting. Below is the list of overall recommended maximum millage rates.

	OPERATING MILLAGE	G. O. DEBT SERVICE	BEACH BOND MILLAGE	FY 2019 TOTAL MILLAGE
DISTRICT A	2.1144	0.0477	0.7002	2.8623
DISTRICT B	2.1144	0.0477	0.1750	2.3371



MAXIMUM MILLAGE DISCUSSION GENERAL FUND UPDATE

JULY 9, 2018



AGENDA

- **FY19 Budget Schedule**
- **Property Value Update**
- **General Fund Budget Development Update**
- **Maximum Millage Discussion**
 - **Rolled-Back Rate and Maximum Millage Disclosure**
 - **Debt Millages**
 - **Total Recommended Maximum Millage and Motion**
- **Next Steps**



BUDGET SCHEDULE FISCAL YEAR 2019

- **Budget Workshops**
 - ~~May 21, 2018 – 9am (General Fund and 5 Year CIP)~~
 - ~~June 18, 2018 – 9am~~
- **Budget Meetings**
 - **July 9, 2018 Regular Meeting - Set Maximum Millage**
 - **September 11, 2018 Regular Meeting – 1st Public Hearing 5:01 pm**
 - **September 24, 2018 Special Meeting – 2nd Public Hearing and Adoption 5:01 pm**



PROPERTY VALUE UPDATE



JULY CERTIFIED PROPERTY VALUES

	SARASOTA	MANATEE	COMBINED
TAX YR 2018 July 1 Value	4,186,438,490	1,787,963,805	\$5,974,402,295
FINAL TAX YR 2017	4,051,443,151	1,693,475,816	\$5,744,918,967
	\$134,995,339	\$94,487,989	\$229,483,328
	3.33%	5.58%	3.99%

Change in Ad Valorem Revenue Based on July 1 Values

Millage Rate 2.1144	SARASOTA	MANATEE	COMBINED
FY 2018 Recommended Budget	\$8,541,098	\$3,648,228	\$12,189,326
FY 2017 Adopted Budget	8,267,685	3,460,512	\$11,728,197
* Additional Revenues	\$273,413	\$187,716	\$461,129

* Based on Change in Valuations Without Millage Increase

Homestead Properties Cap:

As provided for in Section 193.155(1), F.S., Save Our Homes legislation, an annual increase in assessment shall not exceed 2.1% for 2018. The cap was 2.1% in the prior year as well.



GENERAL FUND UPDATE



CHANGES MADE SINCE JUNE 18, 2018 MEETING

Decreased the Use of Fund Balance from \$151,657 to \$42,832 (decrease \$108,825):

Increased Revenue \$36,727

- Change in assessed values in both Counties totaling \$18,055,536

Decreased Expenses \$72,098

- Reduced health insurance and accounted for other personnel changes (\$76,562)
- Adjusted property insurance estimate (increase \$4,464)



FY2019 PRELIMINARY GENERAL FUND BUDGET

(FROM JUNE WORKSHOP)

(FY2018 BUDGET / FY2018 PROJECTION / FY2019 BUDGET)

	Original Budget 2018	Estimated Actual 2018	Preliminary Budget 2019	Change from Original 2018 Budget	
Revenues					
Ad Valorem	\$ 11,728,197	\$ 11,728,197	\$12,152,599	\$ 424,402	3.6%
Non-Ad Valorem	\$ 4,259,339	\$ 4,353,989	\$ 4,318,910	\$ 59,571	1.4%
Total Revenues	\$ 15,987,536	\$ 16,082,186	\$16,471,509	\$ 483,973	3.0%
Expenditures					
Personnel	\$ 13,108,024	\$ 13,108,024	\$13,575,793	\$ 467,769	3.6%
Operating	\$ 3,030,440	\$ 3,073,086	\$ 2,929,873	\$ (100,567)	-3.3%
Capital Outlay	\$ 187,250	\$ 224,850	\$ 117,500	\$ (69,750)	-37.2%
Total Expenditures	\$ 16,325,714	\$ 16,405,960	\$16,623,166	\$ 297,452	1.8%
Budgeted Increase or (Decrease) to Fund Balance	(\$338,178)	(\$323,774)	\$ (151,657)		





FY2019 PRELIMINARY GENERAL FUND BUDGET

(UPDATED WITH NEW TAX VALUES)

(FY2018 BUDGET / FY2018 PROJECTION / FY2019 BUDGET)

Preliminary Budget Assumes Mill Rate remains at 2.1144

	Original Budget 2018	Estimated Actual 2018	Preliminary Budget 2019	Change from Original 2018 Budget	
<u>Revenues</u>					
Ad Valorem	\$ 11,728,197	\$ 11,728,197	\$12,189,326	\$ 461,129	3.9%
Non-Ad Valorem	\$ 4,259,339	\$ 4,353,989	\$ 4,318,910	\$ 59,571	1.4%
Total Revenues	\$ 15,987,536	\$ 16,082,186	\$16,508,236	\$ 520,700	3.3%
<u>Expenditures</u>					
Personnel	\$ 13,108,024	\$ 13,108,024	\$13,499,231	\$ 391,207	3.0%
Operating	\$ 3,030,440	\$ 3,073,086	\$ 2,934,337	\$ (96,103)	-3.2%
Capital Outlay	\$ 187,250	\$ 224,850	\$ 117,500	\$ (69,750)	-37.2%
Total Expenditures	\$ 16,325,714	\$ 16,405,960	\$16,551,068	\$ 225,354	1.4%
Budgeted Increase or (Decrease) to Fund Balance	(\$338,178)	(\$323,774)	\$ (42,832)		

Use of Fund Balance reduced from \$ 151,657 to \$42,832.



GENERAL FUND REVENUE VARIANCE

	Millage Rate @ 2.1144		ADOPTED	AMENDED	ESTIMATED	PROPOSED	From ADOPTED to Proposed	
	ACTUAL		BUDGET	BUDGET	ACTUAL	BUDGET	BUDGET	BUDGET
	<u>FY 2016-17</u>		<u>FY 2017-18</u>	<u>FY 2017-18</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
Revenues:								
Property Taxes	11,181,013		11,728,197	11,728,197	11,728,197	12,189,326	\$461,129 ^{1.}	3.93%
Other Taxes	157,626		155,000	155,000	155,000	155,000	\$0	0.00%
Franchise Fees	968,156		659,000	659,000	684,000	665,750	\$6,750	1.02%
Licenses and Permits	24,754		33,400	33,400	33,400	27,600	(\$5,800)	(17.37%)
Intergovernmental	1,349,665		1,292,000	1,292,000	1,292,000	1,304,300	\$12,300	0.95%
Charges for Services	363,462		348,500	348,500	348,500	418,680	\$70,180 ^{2.}	20.14%
Grants	93,652		0	0	0	0	\$0	0.00%
Fines and Miscellaneous	97,383		70,925	70,925	140,575	68,800	(\$2,125)	(3.00%)
Income on Investments	55,431		50,500	50,500	50,500	178,766	\$128,266 ^{3.}	253.99%
Transfers From Other Fund	<u>1,950,500</u>		<u>1,650,014</u>	<u>1,650,014</u>	<u>1,650,014</u>	<u>1,500,014</u>	<u>(\$150,000)</u> ^{4.}	<u>(9.09%)</u>
Subtotal	16,241,642		15,987,536	15,987,536	16,082,186	16,508,236	\$520,700	3.3%
Use of Fund Balance	0		338,178	338,178	333,921	42,832	(\$295,346)	(87.33%)
Total Fund Revenues	\$16,241,642		\$16,325,714	\$16,325,714	\$16,416,107	\$16,551,068	\$225,354	1.38%

1. Increase in taxable values produce a \$461,129 revenue increase with flat mill rate.
2. Charges for services include \$60,000 for Manatee reimbursement of marine patrol.
3. Investment rates are rising. Chandler Asset Management provided our estimates.
4. Transfer from Road and Bridge Fund decreased by \$150,000.



GENERAL FUND EXPENDITURE VARIANCE

	Millage Rate @ 2.1144		ADOPTED	AMENDED	ESTIMATED	PROPOSED	From ADOPTED to Proposed	
	ACTUAL	BUDGET	BUDGET	BUDGET	ACTUAL	BUDGET	BUDGET	BUDGET
	FY 2016-17	FY 2017-18	FY 2017-18	FY 2017-18	FY 2017-18	FY 2018-19	\$ CHANGE	% CHANGE
Expenditures:								
Town Commission	20,845	30,100	30,100	30,100	30,100	30,500	400	1.33%
Legal Counsel	333,057	485,000	485,000	485,000	465,000	446,000	(39,000) ^{5.}	(8.04%)
Town Manager	544,729	997,276	997,276	997,276	912,276	983,280	(13,996)	(1.40%)
Town Clerk	363,219	411,202	411,202	411,202	406,202	412,382	1,180	0.29%
Finance	668,927	676,660	676,660	676,660	676,660	677,770	1,110	0.16%
Information Technology	589,398	632,953	655,209	655,209	630,209	692,869	59,916 ^{6.}	9.47%
Human Resources	155,133	0	0	0	0	0	0	0.00%
Facilities	111,625	125,388	125,388	125,388	125,388	146,463	21,075 ^{7.}	16.81%
Police	3,120,368	3,220,348	3,220,348	3,170,348	3,170,348	3,223,927	3,579	0.11%
Fire/Rescue	6,184,861	6,601,657	6,596,557	6,616,557	6,616,557	6,601,249	(408)	(0.01%)
Emergency Management	169,552	18,600	268,737	343,737	343,737	18,600	0	0.00%
Public Works	582,532	656,194	656,194	656,194	656,194	656,103	(91)	(0.01%)
Parks	134,082	238,260	238,260	238,260	238,260	232,555	(5,705)	(2.39%)
Planning and Zoning	614,652	601,320	601,320	576,320	605,328	605,328	4,008	0.67%
Recreation	26,733	44,991	44,991	44,991	44,991	44,991	0	0.00%
Streets	615,789	654,569	654,569	685,069	685,069	677,340	22,771	3.48%
General Services	309,468	443,946	443,946	413,946	413,946	684,211	240,265 ^{8.}	54.12%
Commission Contingency	0	250,000	190,000	90,000	90,000	250,000	0	0.00%
Red Tide Contingency	5,560	50,000	50,000	50,000	50,000	50,000	0	0.00%
Total Expenditures	\$14,550,530	\$16,138,464	\$16,345,757	\$16,131,257	\$16,131,257	\$16,433,568	\$295,104	1.81%
Transfers Out	0	0	60,000	60,000	60,000	0	0	0.00%
Capital Outlay	518,614	187,250	224,850	224,850	224,850	117,500	-69,750	(37.25%)
Total Expenditures	\$15,069,144	\$16,325,714	\$16,630,607	\$16,416,107	\$16,416,107	\$16,551,068	\$225,354	1.38%

- 5. Reduction in Town Attorney costs based on FY2018 activity.
- 6. Annual support / licensing for new ERP components. First year of support was included in purchase price.
- 7. Building maintenance budgets moved from other departments into facilities where they are managed
- 8. Net of reductions in general services lines and increases for merits, health insurance, contracts.



GENERAL FUND

FUND BALANCE



CHANGE IN FUND BALANCE AFTER REMOVAL OF THE ASSIGNMENT TO NEIGHBORHOODS

		<u>*No. of Days</u>	<u>Target</u>
Projected FY18 Unassigned Ending General Fund Balance	\$ 5,312,405	118	60
Non-Spendable (Fuel Inventory, Prepaid Expenses)	\$ 13,000		
Assigned to Encumbrances (estimate)	\$ 300,000		
Assigned to Pension	<u>\$ 1,310,075</u>		
Projected FY18 Total Fund Balance	\$ 6,935,480	154	90
Estimated FY19 Revenues	\$ 16,508,236		
Estimated FY19 Expenditures	<u>\$ (16,551,068)</u>		
Esitmated Expenditures Exceeding Revenues	\$ (42,832)		
Estimated FY19 Ending Fund Balance	<u>\$ 6,892,648</u>	153	90

		<u>*No. of Days</u>	<u>Target</u>
FY19 Unassigned Ending General Fund Balance	\$ 5,269,573	117	60
Non-Spendable (Fuel Inventory, Prepaid Expenses)	\$ 13,000		
Assigned to Encumbrances (estimate)	\$ 300,000		
Assigned to Pension	<u>\$ 1,310,075</u>		
FY19 Total Fund Balance	\$ 6,892,648	153	90

* FY19 Operating Cost Per Day = \$45,023



ECONOMIC UNCERTAINTY RESERVE

The Town's current financial position is providing a timely opportunity for the Town to plan and prepare for a future downturn in the economy.

Town Manager recommends creating an economic uncertainty reserve for FY2019 of 30 days for a total of \$1,350,000.



CHANGE IN FUND BALANCE WITH RESERVE FOR ECONOMIC UNCERTAINTY

		<u>*No. of Days</u>	<u>Target</u>
FY19 Unassigned Ending General Fund Balance	\$ 3,919,573	87	60
Non-Spendable (Fuel Inventory, Prepaid Expenses)	\$ 13,000		
Assigned to Encumbrances (estimate)	\$ 300,000		
Assigned for Economic Uncertainty	\$ 1,350,000		
Assigned to Pension	\$ 1,310,075		
FY19 Total Fund Balance	\$ 6,892,648	153	90

The establishment of this new assignment (reserve) reduces the Unassigned Fund Balance to 87 days from 118 days. The Town’s Fund Balance Policy Target is to maintain 60 days.

If approved, a motion is required for the assignment as follows:

“Motion to Assign \$1,350,000 of fund balance for Economic Uncertainty for FY2019.”



SETTING OF MAXIMUM MILLAGE



ROLLED-BACK RATE & MAXIMUM MILLAGE

- The proposed operating millage of **2.1144** produces a 5.40% change from the Rolled-Back Rate of 2.0061 for 2018.
 - The Rolled-Back Rate is the rate which, exclusive of new construction, will provide the same property (ad valorem) tax revenue as was levied during the prior year.
- The maximum millage that can be levied
 - Simple majority vote up to **2.0356**
 - Two-thirds vote **2.0357** - **2.2392**
 - Unanimous vote above **2.2392**



G.O. FACILITY IMPROVEMENT DEBT MILLAGE

- **This millage is for repayment of the funds borrowed for construction of Town Facilities listed below.**
 - **Town Hall Addition and Remodel**
 - **Public Works Complex**
 - **Police Station**

- **The fiscal year 2019 proposed millage rate is 0.0477. Debt Service payment for FY19 is \$284,060. These bonds will be retired in fiscal year 2020 with the final taxing year being fiscal 2019.**



BEACH DEBT MILLAGE

- For Truth in Millage (TRIM) notices, the Town Commission is required to set a proposed millage rate for the two Beach Erosion Control Special Districts to cover a \$2.8 million Debt Service payment for FY19.

Recommended Maximum Millage

Beach Districts A and B

	<u>FY 18 Actual</u>	<u>FY 19 Proposed</u>
Beach District A	0.7272	0.7002
Beach District B	0.1818	0.1750



MILLAGE COMPARISON FOR FY 18 AND FY 19

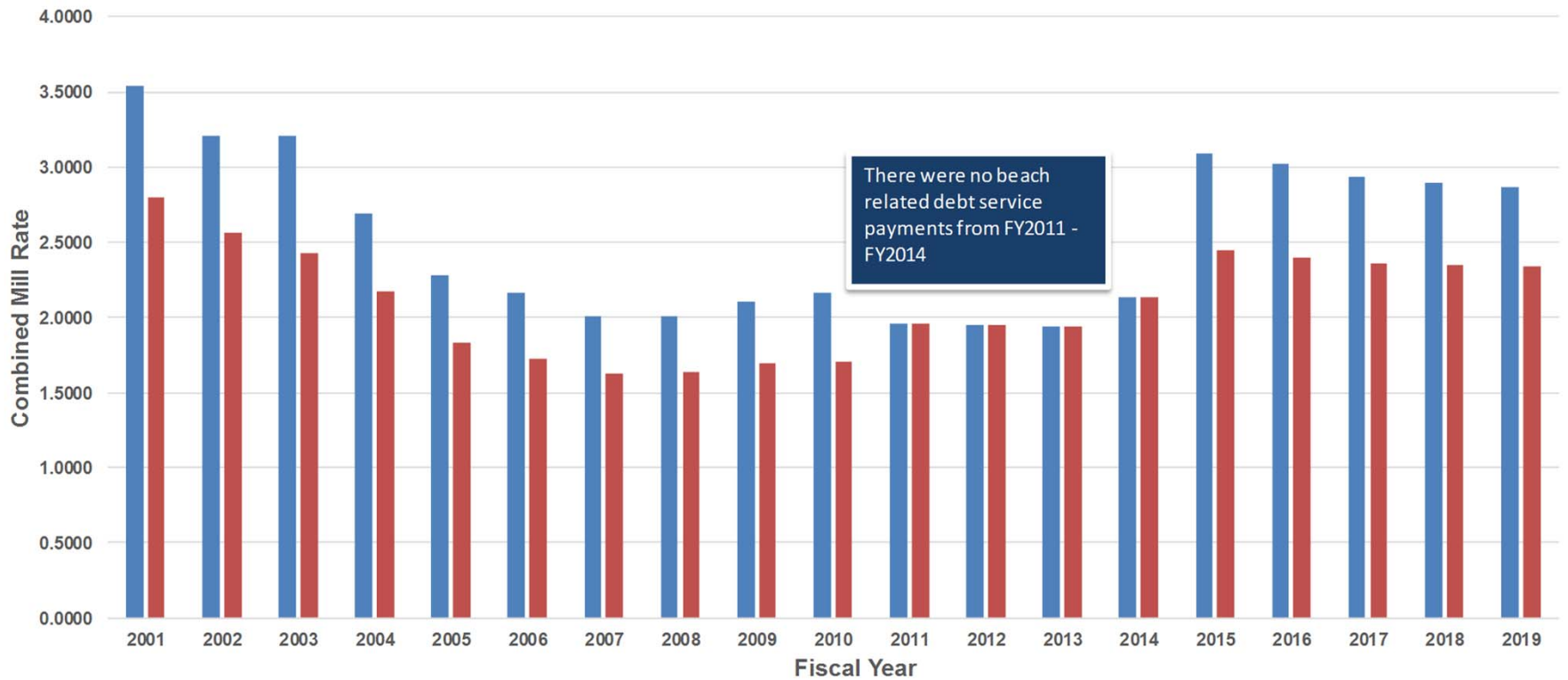
Beachside Resident (District A)	<u>FY 2018</u>	<u>FY 2019</u>	<u>% Change</u>
Operating Millage	2.1144	2.1144	0.00%
Facilities Bond Millage	0.0514	0.0477	-7.19%
Beach Special District A Millage	<u>0.7272</u>	<u>0.7002</u>	<u>-3.72%</u>
Total	2.8930	2.8623	-1.06%

Bayside Resident (District B)	<u>FY 2018</u>	<u>FY 2019</u>	<u>% Change</u>
Operating Millage	2.1144	2.1144	0.00%
Facilities Bond Millage	0.0514	0.0477	-7.19%
Beach Special District B Millage	<u>0.1818</u>	<u>0.1750</u>	<u>-3.72%</u>
Total	2.3476	2.3371	-0.45%



Combined Operating and Debt Millages FY 2001-2019

■ Beach A ■ Beach B





TOTAL TOWN MILLAGE (OPERATING AND DEBT SERVICE)

Town Manager Recommended Maximum Millage

	OPERATING MILLAGE	G. O. DEBT SERVICE	BEACH BOND MILLAGE	FY 2019 TOTAL MILLAGE
DISTRICT A	2.1144	0.0477	0.7002	2.8623
DISTRICT B	2.1144	0.0477	0.1750	2.3371

- **Upon Town Commission Approval, the Total Proposed Town Millage rates that will appear on the TRIM Notice are Listed Above.**



COMMISSION DISCUSSION



NEXT STEPS

- **Incorporate Today's Discussion into Recommended Budget**
- **Prepare Recommended Budget with Managers Message by August 1**
- **TRIM Notices Mailed to Taxpayers Last Week in August**
- **First Public Hearing September 11 (5:01 pm)**
- **Second Public Hearing and Adoption September 24 (5:01 pm)**



End of Agenda Item