



AGENDA MEMORANDUM

Finance Department

City Council Regular Meeting Date: July 16, 2024

To: City Council

From: Dana A. Souza, City Manager
Steve C. Chaipel, Deputy City Manager/CFO

Date: July 15, 2024

SUBJECT: Preliminary Millage Rates and Fiscal Year 2025 Draft Budget Framework

BACKGROUND: Attached to this agenda item is the first draft of the budget for fiscal year 2025 beginning October 1, 2024. This budget provides the initial financial framework for the upcoming fiscal year.

The unprecedented effects of Hurricane Ian and the ongoing recovery continue to have a significant role in this first draft of the budget. As has been previously communicated, taxable preliminary property values (which are used for ad valorem budget purposes) have increased to \$4,660,021,567 from last year. This represents a 10.5% increase from July 2023 and a 1.0% increase from the final property roll in October 2023. At the same operating millage rate of 2.5000 from fiscal year 2024, this would result in approximately \$1.0 million increase in tax revenue collections to the City in the General Fund. The rolled-back rate for the upcoming fiscal year is 2.4848. The rolled-back rate is the same tax rate that when applied to current year taxable values results in the same revenue collected for ad valorem taxes in the prior year.

Based on the taxable property values and tax revenue collected in fiscal year 2024 presented below are calculations of the various millage rates that can be levied, and the vote required.

- Rolled-back rate..... 2.4848 (3/5 majority vote)
- Majority maximum rate up to 2.9173 (3/5 majority vote)
- Two-thirds maximum rate 2.9174 to 3.2090 (4/5 majority vote)
- Unanimous rate..... over 3.2090 (5/5 unanimous vote)

The initial draft budget is prepared with an operating millage rate of 2.5000, consistent with the discussions during the adoption of the fiscal year 2024 budget. The initial draft budget is intended as a tool to assist the City Council in setting a preliminary millage rate leading into the fiscal year 2025 budget preparation season.

Sanibel is and shall remain a barrier island sanctuary

The budget as drafted includes some options for flexibility in determining the maximum millage rate. The following items are included in the budget:

- \$5,900,000 in funding for disaster reserves in the General fund and \$1,000,000 in funding for disaster reserves in the Sewer Fund
- \$1,000,000 in reserves for revenue stabilization in the Beach Parking fund
- \$4,910,000 in reserves for operational support (across all funds)
- \$3,900,764 in available ending fund balance for unanticipated expenditures (General fund)
- In the Hurricane Ian fund, the budget includes the following:
 - The receipt of \$15,260,511 in loan proceeds in FY 2024 from the State of Florida Emergency Bridge Loan. \$5,900,000 of these funds were transferred to funds during FY 2024. \$9,360,511 of this funding remains in the Hurricane Ian until needed for appropriation;
 - The receipt of \$28,000,000 in loan proceeds in FY 2024 from the State of Florida Emergency Management Department for FEMA eligible recovery projects. These funds will remain in the Hurricane Ian and are appropriated in relation to the outstanding FEMA project list as of date of this publication;
 - The receipt of \$9,920,000 in grant proceeds in FY 2025 from the State of Florida Commerce Department. \$4,300,000 of these funds are being transferred to the Transportation Operations and Transportation Capital funds for projects in FY 2025.

City Council is asked to discuss and confirm the maximum operating millage rate for the General fund for fiscal year 2025. Should City Council's discussions on the budget during subsequent meetings determine that a lower millage rate is desired, it can be reduced at the budget hearings in September. However, the millage rate that is adopted by Resolution at this meeting is the highest millage rate that can be levied for fiscal year 2025.

Additional analysis and discussion on the draft fiscal year 2025 budget will be presented at the City Council Budget Workshop on July 30, 2024 at 5:30 p.m.

Key Dates for the Fiscal Year 2025 Budget Adoption Process:

- July 30, 2024: Budget Workshop
- August 27, 2024: Budget Workshop
- September 9, 2024: First Budget Hearing
- September 23, 2024: Final Budget Hearing and Budget Adoption

FUNDING SOURCE: N/A

RECOMMENDED ACTION: Approve Resolution 24-033 setting a maximum operating and voted debt service millage rates.



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