



Memorandum

Memorandum No: 22-058

Date: June 10, 2022

To: Honorable Mayor and Commissioners

From: Chris Lagerbloom, ICMA-CM, City Manager

Re: Fiscal Year 2023 Preliminary Budget Information

At the July 5, 2022, Regular Meeting, the City Commission will set the maximum millage rate and non-ad valorem assessment fees for Fiscal Year (FY) 2023. This memo provides early information regarding the FY 2023 General Fund budget to allow adequate time to review our recommendations prior to setting these rates. The adoption of the budget will occur at public hearings scheduled for September 6, 2022, and September 12, 2022.

Property Values – Ad Valorem Revenue

As staff prepares the budget for FY 2023, the City received positive news regarding one of the largest revenue sources: ad valorem (property) taxes. Property taxes account for approximately 46.0% of the ongoing General Fund Revenues. The Broward County Property Appraiser's June 1, 2022, estimate indicated an increase of 12.94% of the City's taxable property value. This is an increase from \$43.2 billion to \$48.8 billion based on the final valuation for 2022. Of the \$5.6 billion increase, \$1.7 billion is associated with new construction, which is a positive outcome of the City's ongoing focus on economic revitalization and development. Overall, this increase is expected to yield approximately \$20.1 million in additional revenue that the City can use to pay for its increasing expenses and to augment and enhance service delivery.

A portion of this increased property value will result in an increased transfer of funds in the amount of \$2.1 million to the Community Redevelopment Agency (CRA), due to the growth in taxable values in the CRA areas. CRA funding comes from the property tax dollars generated above the special district's baseline property value when the CRA was first established.

Because of the large increase in taxable values, the City can maintain its current low millage rate of 4.1193 for the sixteenth (16th) consecutive year while enhancing service levels in targeted areas.

Fire Assessment Fee

The City's Fire Assessment Fee was reviewed as a part of the FY 2023 budget development process, which is consistent with the City's past practice of adjusting the fee to full cost recovery every three years. Based upon the results from the fee study, the fee per residential dwelling unit will increase from \$311 to \$323 per year. The proposed assessment generates \$1.2 million in increased revenue to the General Fund in FY 2023 as compared to FY 2022.

Key Revenue and Expenditure Changes

Some key highlights of revenue and expenditure changes from the previous fiscal year are included in **Attachment 1**. Notable increases to revenues apart from property taxes and the fire assessment fee include Florida Power and Light's Utility Tax and Franchise Fees, which are expected to increase by \$4.6 million due to approved FPL rate increases. Other revenue increases include: \$850 thousand in additional Bahia Mar lease revenue, and \$600 thousand in Fire/Rescue Transport Fees. Expenditure increases are expected in the estimated amount of \$10.1 million for personal service expenses, \$890 thousand in fuel costs, and \$520 thousand for electricity.

Strategic Enhancements and Investments

This year, the City identified several strategic enhancements that will position the City for long-term financial sustainability and further the City's Vision, Strategic Plan, and Commission Priorities. The enhancement requests considered and my recommendations for funding approval are outlined in **Attachment 2**.

I am proud that this preliminary budget makes foundational investments that will improve the quality of life for neighbors today and prepare the City for tomorrow's challenges. This budget makes significant investments in public safety to meet the growing demand for services, which are due primarily to population growth and increased tourism. In the Police Department, I am proposing to increase staffing levels by seventeen (17) additional officers. This will help reinstate the neighborhood action teams and place a focus on community-based policing. In the Fire Rescue Department, I am recommending the implementation of a mobile integrated health program, including the addition of two (2) additional positions to administer the program. This team will be tasked with dealing with non-emergency calls to alleviate some of the burden on the County's emergency dispatch system. I am also recommending the funding of startup equipment costs and three months of staffing for fourteen (14) positions to staff the new Emergency Medical substation. In the Development Services Department, I am recommending the addition of four (4) code compliance officers to enhance after hours code enforcement. These enhancements respond to the needs of a growing community and promote accountability in public safety. In addition, these prospective services reimagine what serving the public should be as the City of Fort Lauderdale progresses into the future.

Personal Service Expenses – Collective Bargaining Agreements

The substantial risk the City faces in balancing the FY 2023 budget are the unknown personnel costs associated with ongoing collective bargaining negotiations. All of the City's six (6) collective bargaining agreements expire before the beginning of FY 2023. Salaries and benefits account for approximately 65.4% of General Fund expenditures, excluding transfers to the Community Investment Plan (CIP). Of 1,779 General Fund Employees, 1,537 or 86.4% are represented by collective bargaining agreements. At this juncture, the preliminary budget includes estimates for cost-of-living adjustments (COLA) (or 75% wage adjustments) and merit (or step increases), consistent with the most recent negotiated collective bargaining agreements. Before any FY 2023 strategic enhancement recommendations, the estimated increase in salaries and benefits in the General Fund are approximately \$10.1 million based upon these assumptions.

Inflation and Market Volatility

Inflation is at an all-time 40-year high, meaning the cost of goods and services have increased dramatically. For local municipalities, this type of market volatility heavily impacts the cost of planned capital projects and routine service delivery. Based on this current economic climate, the FY 2023 Preliminary Budget considered, and included, inflationary factors for contracts and service agreements that have known and anticipated cost increases. Moreover, as a conservative measure, the City accounted for future cost increases for the various replacement plans. Furthermore, inflationary considerations will disproportionately impact capital projects as there is a delay between initial project approval and the completion of the procurement process. Therefore, individual projects are being reviewed as updated cost estimates are received and, where applicable, have been incorporated in the Preliminary FY 2023 – FY 2027 Community Investment Plan. The City will continue to monitor inflationary assumptions in future years and adjust accordingly to provide robust current service delivery budgets.

Replacement Plans

The City has committed to systematically developing new, and updating previous, replacement plans as a part of the annual budget development process. This methodical approach strengthens our long-term planning and minimizes annual fluctuations in replacement expenditures. Furthermore, multi-year replacement schedules allow us to properly equip City staff to serve the community purposefully and ensures accountability of assets during the annual budgeting process. The FY 2023 preliminary City investment in replacement of key equipment and assets as a part of these plans is recommended at \$13.1 million. These replacement plans have been provided as part of the preliminary budget information (**Attachments 3 – 9**).

Community Investment Plan

The FY 2023 Community Investment Plan (**Attachment 10**) includes \$26.7 million in General Funds, \$1.0 million in Gas Tax Funds, and \$500,000 in Community Block Grant Funds to address the most pressing general infrastructure needs of our community.

- \$4.1 million for the new Fire Station 13 to account for inflationary cost estimates for constructing the new facility
- \$3.6 million for the Restoration and Replacement of Seawalls
- \$3.6 million for bridge repairs and replacements
- \$3.5 million for the repair and replacement of roadways and sidewalks
- \$3.1 million for the new Fire Station 88, in the region south of Broward Boulevard
- \$2.5 million for the Galt Ocean Mile Beautification Project
- \$2.1 million for paving and mobility improvements along Las Olas Boulevard
- \$2.0 million for City Facility Repairs and Replacements
- \$2.0 million for the City's portion of Broward County Segment II Beach Nourishment
- \$1.7 million for inflationary adjustments for capital projects pending contract award
- \$600,000 for the Renovation of Parker Playhouse
- \$500,000 for Streetlight Improvements
- \$300,000 for Streetscapes and Traffic Flow Improvements
- \$300,000 for Lifeguard Tower Replacements
- \$100,000 for ADA compliant bus stops

The FY 2023 Preliminary Budget includes one-time expenses that we can fund because of the \$20.0 million one-time revenue received from the second tranche of the American Rescue Plan Act's revenue replacement provision (**Attachment 11**). This budget also includes \$2.0 million in funding for nonprofit organizations to support key community services that align with the City's Strategic Plan, annual Commission Priorities, and operational needs (**Attachment 12**).

The FY 2023 Preliminary Budget, including detailed department request packages, has been posted on the City's website at the following link: www.fortlauderdale.gov/preliminarybudget. State revenues such as the Communications Service Tax and Half Cent Sales Tax have not been updated for FY 2023 estimates. These revenue estimates will be updated in the proposed budget once the State releases their estimates.

I am proud of the inclusive and comprehensive budget process. I have personally met with each department over the past few months to discuss their challenges and budget requests for the upcoming year. It is important to carefully review each department's funding requests and weigh them against the City's other competing priorities. In addition, departments have presented their budget requests to the Budget Advisory Board for additional guidance and input. The Budget Advisory Board will share their initial thoughts regarding the FY 2023 Preliminary Budget with you at a Joint Workshop scheduled for June 21, 2022.

As part of the City's commitment to openness and transparency, the Commission participated in a public goal setting workshop to develop 2022 Commission Priorities that articulates the organizations highest priorities and strategic initiatives for the upcoming year. Items funded in the FY 2023 budget furthers the Commission Priorities, which are summarized in **Attachment 13**. This document elaborates how funding in the FY 2023 Preliminary Budget and Community Investment Plan will advance the City Commission's priorities.

While the budgetary information is still preliminary, it conveys the detailed departmental budget requests and the strategy that I recommend for achieving a structurally balanced budget for FY 2023. The budget invests in the City's priorities and lays the foundation for a financially sustainable future.

The FY 2023 Proposed Budget and FY 2023 - FY 2027 Community Investment Plan are scheduled to be presented at the City Commission Regular Meeting on July 5, 2022. I encourage you to review the full scope of comprehensive departmental budget requests, and contact me directly with any questions, comments, or concerns.

Attachments

- (1) FY 2023 General Fund Preliminary Budget Summary
- (2) FY 2023 Strategic Enhancements and Balancing Strategies
- (3) FY 2023 – FY 2027 Fleet Replacement Plan
- (4) FY 2023 – FY 2027 License Plate Reader Replacement Plan
- (5) FY 2023 – FY 2027 Police Animal and Bulletproof Vest Replacement Plan
- (6) FY 2023 – FY 2027 Police Equipment Replacement Plan
- (7) FY 2023 – FY 2033 Fire Rescue Equipment Replacement Plan
- (8) FY 2023 – FY 2027 Technology Infrastructure Upgrade Plan
- (9) FY 2023 PC Replacement Plan
- (10) FY 2023 – FY 2027 Community Investment Plan
- (11) American Rescue Plan Act – FY 2023 Recommendations
- (12) FY 2023 Recommended Not for Profit Grant Participation Agreement Funding
- (13) FY 2023 City Commission Priorities

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