



Memorandum

Memorandum No: 21-040

Date: June 8, 2021

To: Honorable Mayor and Commissioners

From: Chris Lagerbloom, ICMA-CM, City Manager

Re: Fiscal Year 2022 Preliminary Budget Information

At the July 6, 2021 Regular Meeting, the City Commission will set the maximum millage rate and non-ad valorem assessment fees for Fiscal Year (FY) 2022. This memo provides early information regarding the FY 2022 General Fund budget to allow adequate time to review our recommendations prior to setting these rates.

As we prepare the budget for FY 2022, we continue to address the financial impacts of COVID-19. We acknowledge that the impacts of this pandemic will likely influence the financial health of our community and the City for several years. The City implemented strategic cost reductions during FY 2020 and FY 2021 to address the projected revenue shortfalls such as implementing a hiring slow down, eliminating discretionary employee travel, and re-prioritizing capital projects that were not critical. In addition, the City was able to pay for certain expenses with the Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding. These actions, along with our diversified revenue streams, have allowed the City to weather revenue shortfalls to the General Fund in FY 2020 and FY 2021 and to begin FY 2022 in a strong financial position.

The Broward County Property Appraiser's June 1, 2021 estimate of the City's taxable property value increased by 6.96% over the final valuation for 2020 from \$40.87 billion to \$43.71 billion. Of the \$2.84 billion increase, \$1.13 billion is related to new construction. Without new construction added, the increase in taxable value would have been 4.19%. This increase is expected to yield approximately \$9.9 million in additional property tax revenue for FY 2022.

The City's Fire Assessment Fee was adjusted to full cost recovery in FY 2020. Consistent with the City's past practice of adjusting this fee to full cost recovery every three years, this fee is scheduled to be reviewed and adjusted in FY 2023.

During FY 2021 the City ratified collective bargaining agreements with the Fraternal Order of Police (FOP) and International Association of Fire Fighters (IAFF). These successor agreements, along with existing agreements with the Teamsters Local 769 and Federation of Public Employees of Public Employees and with wages and benefits for Confidential and Management category employees have resulted in estimated increases in wages and benefits in the General Fund over \$13 million above FY 2021. This sets the stage for a challenging budget year for FY 2022 and future years since growth in wages and benefits are outpacing expected growth in General Fund revenues.

Our preliminary General Fund budget deficit is \$11.5 million. Highlights of revenue and expenditure changes are included in **Attachment 1**. Our leadership team identified service enhancements and budget balancing strategies that would present minimal impact to operations, positioned the City for long-term financial sustainability, and ensured that the resulting budget aligned with the goals of the City's Vision Plan, Strategic Plan, and City Commission Priorities as outlined in **Attachment 2**.

To date, the City has allocated over \$29 million in external funding to help our community and the City recover from the pandemic (**Attachment 3**). However, we recognize that many residents and businesses of our City are still navigating the ongoing financial impacts associated with COVID-19. To further recovery efforts and present a structurally balanced budget, the FY 2022 Preliminary Budget includes one-time expenses that we are able to fund because of the one-time revenue received from the first tranche of the American Rescue Plan Act's revenue replacement provision (**Attachment 4**). By implementing this strategy, the City can maintain its current low millage rate of 4.1193 for the 15th consecutive year and delay a millage rate increase for another fiscal year.

Estimates for state revenues such as the Communications Service Tax and Half Cent Sales Tax have not been updated for FY 2022 estimates by the state. These revenue estimates will be updated in our budget once the State releases their estimates. The FY 2022 Preliminary Budget, including detailed department request packages, has been posted on the City's website at the following link: www.fortlauderdale.gov/preliminarybudget.

I am proud of our 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 other competing priorities of the City. In addition, departments have presented their budget requests to the Budget Advisory Board in virtual meetings for additional guidance and input. The Budget Advisory Board will share their initial thoughts regarding the FY 2022 Preliminary Budget with you at a Joint Workshop scheduled for June 15, 2021.

As part of our commitment to open and transparent government, the Commission participated in a goal setting workshop to identify priorities for the upcoming year to develop 2021 Commission Priorities to articulate our organization's highest priorities and strategic initiatives for the upcoming year. Items funded in the FY 2022 budget in furtherance of Commission Priorities are summarized in **Attachment 5**. This document demonstrates how funding in the FY 2022 budget will advance the City Commission's priorities.

As part of the decision-making process, I also thoroughly examined key budgetary information such as community investment plan project requests and multi-year replacement schedules (**Attachments 6 – 13**) and the not-for-profit funding requests and Budget Advisory Board Recommendations (**Attachment 14**) prior to making funding recommendations for FY 2022. These schedules have been provided as part of the preliminary budget information.

The FY 2021 Community investment Plan (**Attachment 6**) includes \$17.6 million in General Funds, \$2.9 million in American Rescue Plan 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 including:

- \$5.8 Million for the Restoration and Replacement of Seawalls
- \$4.0 million for the new Fire Station 13 to be used to supplement the \$4.7 million funded through the Fire Rescue Bond
- \$3.3 million for Bridge Repairs and Replacements
- \$3.3 million for the City's portion of Broward County Segment II Beach Nourishment
- \$2.5 million for the repair and replacement of roadways and sidewalks
- \$2.0 million for City Facility Repairs and Replacements
- \$600,000 for Renovation of Parker Playhouse
- \$300,000 for Las Olas Isles Signalized Crosswalks
- \$200,000 for ADA Compliant Bus Stops

While the budget information is still preliminary, it conveys the detailed departmental budget requests and the strategy that I recommend for achieving a structurally balanced budget in FY 2022. The budget invests in the City's priorities and lays the foundation for a financially sustainable future.

While the crisis is not yet over, it is encouraging that the percentage of the population fully vaccinated against COVID-19 is increasing and the number of new infections and deaths are decreasing. Businesses are open, tourism is increasing, and there is optimism for a bright future ahead.

The FY 2022 Proposed Budget and FY 2022 - FY 2026 Community Investment Plan are scheduled to be presented at the City Commission meeting on July 6, 2021. 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 2022 General Fund Preliminary Budget Summary
- (2) FY 2022 Strategic Enhancements and Balancing Strategies
- (3) Summary of External Support for COVID-19 Relief Initiatives
- (4) American Rescue Plan Act – FY 2022 Recommendations
- (5) FY 2022 City Commission Priorities
- (6) FY 2022 – FY 2026 Community Investment Plan
- (7) FY 2022 – FY 2026 Fleet Replacement Plan
- (8) FY 2022 PC Replacement Plan
- (9) FY 2022 – FY 2026 Technology Infrastructure Upgrade Plan
- (10) FY 2022 – FY 2026 Police Department Animal and Bulletproof Vest Replacement Plan
- (11) FY 2022 – FY 2026 Police Equipment Replacement Plan
- (12) FY 2022 – FY 2026 License Plate Reader Replacement Plan
- (13) FY 2022 – FY 2026 Fire Rescue Equipment Replacement Plan
- (14) FY 2022 Recommended Not for Profit Grant Participation Agreement Funding

c: Tarlesha W. Smith, Esq., Assistant City Manager
Greg Chavarria, Assistant City Manager
Alain E. Boileau, City Attorney
Jeffrey A. Modarelli, City Clerk
John C. Herbst, City Auditor
Executive Strategy Team (EST)
Budget Advisory Board