

Agenda Memorandum

To: Honorable Mayor and City Council Members
Prepared By: Nadia Todor, Budget Officer
From: Bryan Cobb, City Manager
Date: August 28, 2023
Subject: FY 2023-24 Proposed Budget Amendments

Introduction: This is a request for City Council to provide direction regarding the proposed changes to the FY 2023-24 Budget.

Discussion: At its July 17, 2023, meeting, City Council adopted Resolution No. 4352-23 approving the tentative millage rates for FY 2023-24 at 5.3440 mills for General Fund operations and 0.1310 mills for the General Obligation Bonds, for an overall millage rate of 5.4750 mills. The FY 2023-24 Proposed Budget book was presented to the City Council on July 31, 2023. The FY 2023-24 Proposed Budget Model for General Fund with changes is provided in Attachment 1.

At City Council's August 28, 2023 Work Session, staff will present the budget changes identified since the FY 2023-24 Proposed Budget Book was presented to City Council. The changes have been incorporated into the General Fund Change Sheet provided in Attachment 2.

As part of the normal review process, Staff analyzed the current year revenues using ten (10) months of actuals, and adjusted the FY 2023-24 Proposed Budget. The City also received revenue projections from the Florida Department of Revenue's Office of Tax Research for the Communication Services Tax, Revenue Sharing Distribution, and Half Cent Sales Tax. Staff proposes the following adjustments to revenue line items, which reflect a net increase of \$97,038:

Revenues	Increase/Decrease
Communication Services Tax	\$70,811
Revenue Sharing Distribution	102,263
Half Cent Sales Tax	184,462
SRO	27,605
Riverside activity fees	(100,000)
Athletic programs	100,000
Aquatics	(50,000)
Concession income	(62,685)
Interest Earnings	35,600
Rents & Leases	16,000
Use of Fund Balance	(227,018)
Net Increase in Revenues	\$97,038

The increase in revenues is offset by a corresponding increase in expenditures. Staff reviewed the current year ten (10) months of actuals and other needs of the City and proposes adjustments to the items as provided in Attachment 2, which reflect a net increase of \$97,038 and are reflected in the chart below:

Expenditures	Increase/Decrease
General Government-Salaries/Benefits	\$113,438
General Government Temporary Salaries	(21,891)
Vehicle Replacement Fund – Vehicle Purchases	5,782
Operating	(291)
Net Increase in Expenditures	\$97,038

Significant changes to the FY2023-24 Proposed Budget expenditures in the General Fund include:

- An increase in General Government Salaries and Benefits for unfreezing of two (2) Parks Maintenance Worker I positions;
- A decrease in Temporary Salaries for outsourcing the Oviedo Sports Complex (OSC) and Shane Kelly Park (SKP) concession operations to Oviedo Babe Ruth and Florida Kraze Krush;
- An increase in the Vehicle Replacement Fund for a replacement of the City Clerk/Finance/City Hall vehicle;
- A net decrease in Operating for adjustments to various operating lines.

Subsequent to the Proposed Budget, Recreation and Parks staff has reviewed the current operations of parks, including development of preventative maintenance (PM) standards for the parks system. The analysis showed the need for an increase in the number of maintenance hours. Staff recommends unfreezing two (2) Maintenance Worker I FTE's within the Parks division (7204) that were frozen during the FY2022-23 budget process. Funding these positions will balance the maintenance staff within the division, and allow staff to maintain the PM standards needed to continue to provide safe, well maintained Recreation & Park areas. Funding for the positions will be achieved through savings in outsourcing the concession stands at the Oviedo Sports Complex and Shane Kelly Park, and by switching the parks mowing contract from CEPRA to Ultimate Image. Below is a reconciliation of the changes:

	FY 23-24 Proposed Budget	FY 23-24 Budget Change	FY 23-24 Proposed Budget with Changes
Concession Revenues	\$147,735	\$(62,685)	\$85,050
Concession Stand Leases		16,000	16,000
Net change in Revenues	\$147,735	\$(46,685)	\$101,050

	FY 23-24 Proposed Budget	FY 23-24 Budget Change	FY 23-24 Proposed Budget with Changes
Salaries – Two Maintenance Worker I FTE’s		113,438	113,438
Operating Supplies	25,464	1,800	27,264
Contractual Serv (CEPRA to Ultimate Image)	250,124	(9,041)	241,083
Planting and new trees	25,000	(10,000)	15,000
Temporary Salaries	113,123	(76,862)	36,261
Concession Supplies	113,900	(60,500)	53,400
Net change in Expenditures	527,611	(41,165)	\$486,446
Net budget loss		\$(5,520)	

The net budget loss will be offset with the increase in State Revenue projections.

The total proposed budget for FY 2023-24 for the Vehicle Replacement Fund (Fund 302) is \$1,282,483, an increase of \$499,648 from the FY 2022-23 Adopted Budget. The FY 2023-24 Proposed Budget includes payment on the City’s existing vehicle leases of \$249,691, vehicle purchases of \$1,000,000, and Reserve for Contingency of \$32,792. Staff recommends allocating \$1,000,000 to fund the following:

- Police vehicles, \$480,000;
- Public Works equipment, \$92,000;
- Parks vehicles and equipment, \$303,000;
- Fleet vehicle, \$125,000.

A Utility Revenue Sufficiency Analysis was completed by Willdan Financial Services in June of 2015, approved by City Council on September 21, 2015, with the adoption of Resolution No. 3019-15, and amended on January 13, 2022, with the adoption of Resolution No. 4174-22. Effective February 1, 2022, and all subsequent years on October 1, all rates for water, sanitary sewer and reclaimed/alternative water shall be automatically increased based on the change in CPI-U for the month of May reported for the current year compared to the index reported as of the month of May for the immediately preceding year, with such adjustment not to be less than 3%. The CPI-U for May 2022 over May 2023 increased from 292.296 to 304.127, an increase of 4.0%, as provided in Attachment 7. The City is in the process of completing a new Utility Revenue Sufficiency Analysis.

The total budget for Water and Wastewater operations for FY 2023-24 (Water Production and Distribution, Wastewater and Reclaimed Water, Administration and Utility Billing/Customer Service), as provided in Attachment 4, is \$19,292,013, which is an increase of \$1,200,723 over the

FY 2022-23 Adopted Budget. The increase is related to increases in Personnel, Operating and Capital expenses. The FY 2023-24 Proposed Budget includes the following:

- Salary increases of 5%;
- An increase in fixed costs, such as utilities and equipment rentals;
- An increase in Other Contractual Services for a projected increase to the mowing contract;
- An increase in chemical costs;
- An increase in capital expenses of \$1,645,000 related to the following studies and projects:
 - West Mitchell Hammock Water Treatment Plant Improvements 2018, \$200,00;
 - Long Acres Force Main Improvements, \$75,000;
 - Disk Filters, \$800,000;
 - Business Processing Map, \$50,000;
 - Oviedo Reclamation Facility Permit, \$50,000;
 - County Road 419 Force Main Replacement, \$300,000;
 - West Mitchell Hammock Water Treatment Plant Fluoride and Ammonia Skid, \$170,00

Staff recommends the changes to the FY 2023-24 Proposed Budget book, as provided in Attachment 5, which results in a use of fund balance of \$420,799. The FY 2023-24 budget includes capital project requests, as provided in Attachment 6.

The total budget for Water and Wastewater Transfers Out for FY 2023-24 is \$6,548,041, a decrease of \$409,210 over the FY 2022-23 Adopted Budget. The decrease in Transfers Out is primarily due to a decrease in the following lines:

- Water and Wastewater Renewal and Replacement Fund - \$399,870;
- 201 Debt Service Fund - \$203;
- Utility Debt Service Fund - \$9,137.

Budget Guidelines require the City to maintain a minimum cash reserve balance in the Water and Wastewater Renewal and Replacement Fund equal to 50% of the prior year's depreciation expense. The total depreciation expense for FY 2021-22 was \$3,606,584, at 50%, the required cash balance for FY 2023-24 will be \$1,803,292. The Proposed Budget for the Water and Wastewater Renewal and Replacement for FY 2023-24 is \$1,803,292.

The total budget for FY 2023-24 for the Stormwater Fund, as provided in Attachment 8, is \$2,832,113, which is a decrease of \$88,390 from the FY 2022-23 Adopted Budget. A Revenue Sufficiency Analysis was completed by Willdan Financial Services in January of 2017 and approved by City Council on January 17, 2017, with the adoption of Resolution No. 3349-17. Per the Resolution, effective February 1, 2017, the Stormwater rate increased from \$7.00 to \$10.00 per ERU, per month. Effective October 1, 2017, and all subsequent fiscal years on October 1, the Stormwater ERU rate shall automatically increase by two percent (2%) but in no event shall the adjustment exceed two percent (2%) without City Council approval. The City is in the process of completing a new Stormwater Revenue Sufficiency Analysis. Capital project requests are provided in Attachment

9. The Stormwater Utility Fee revenue will generate \$2,811,527 million in FY 2023-24, \$55,128 more when compared to the FY 2022-23 Adopted Budget.

Every year, staff completes thorough review of the City's Fee Schedules. In some cases, the City has introduced a new service, therefore, a fee needs to be established for the service and a revenue code added and budgeted. The Proposed FY 2023-24 Fee Schedule provided in Attachment 10 is based on the staff's review, and details proposed changes including new fees, adjustments to current fees, and the reduction or deletion of other fees. New fees are highlighted yellow, revisions are shown in red, and deletions are shown as a red strike-through. Provided in Attachment 11 are the proposed changes to the Building Services Fees. The final fee schedules will be presented to City Council on September 18, 2023 for final approval.

Budget Impact: The FY 2023-24 Proposed Budget reflects funding as City Council directed within the tentative millage rate of 5.3440 mills. The adoption of the FY 2023-24 Budget will occur at the conclusion of the public hearings scheduled for September 7 and September 18, 2023. A complete discussion and analysis of the budget and tax millage rates can be found in the City Manager's budget transmittal letter that is included as part of the FY 2023-24 Proposed Budget document.

Strategic Impact: Continue high levels of customer service, productivity, and efficiency while maintaining fiscal and organizational health

Recommendation: It is recommended that City Council provide direction for and concurrence with the proposed changes to the FY 2023-24 Proposed Budget Book. It is recommended that City Council direct Staff to incorporate the proposed changes into the FY 2023-24 Budget.

This is not a request to adopt the FY 2023-24 Budget. Adoption of the FY 2023-24 Budget requires two (2) public hearings. The first public hearing is scheduled for Thursday, September 7, 2023, at 6:30 p.m. in the City Council Chambers. The second and final public hearing to adopt both the millage rate and the FY 2023-24 budget is scheduled for Monday, September 18, 2023 at 6:30 p.m. in the City Council Chambers.

Attachment(s):

1. General Fund Model FY 2023-24 Proposed Budget with changes
2. General Fund Change Sheet
3. Vehicle Replacement Fund FY 2023-24 Proposed Budget with changes
4. Water/Wastewater Fund FY 2023-24 Proposed Budget with changes
5. Water/Wastewater Fund Change Sheet
6. Water/Wastewater Capital Projects Schedule
7. Change in CPI-U
8. Stormwater Fund FY 2023-24 Proposed Budget
9. Stormwater Capital Projects Schedule
10. FY 2023-24 Proposed Fee Schedule
11. FY 2023-24 Proposed Building Services Fees Schedule