



Memorandum

Memorandum No: 20-049

Date: June 10, 2020

To: Honorable Mayor and Commissioners

From: Chris Lagerbloom, ICMA-CM, City Manager

Re: Fiscal Year 2021 Preliminary Budget Information

At the July 7, 2020 Regular Meeting, the City Commission will set the maximum millage rate and non-ad valorem assessment fees for Fiscal Year (FY) 2021. This memo provides early information regarding the FY 2021 General Fund budget to allow adequate time to review our recommendations prior to setting these rates.

As we prepare the budget for FY 2021, we continue to address the ongoing uncertainty associated with the cascading 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. Our disciplined fund balance policy and diversified revenue streams have allowed the City to weather the estimated \$19.2 million revenue shortfall to the General Fund in FY 2020. In addition, during FY 2020 the City discontinued the transfer of Return on Investment (ROI) Revenue to the General Fund from the utilities fund. Overall, the General Fund revenues from ROI have been reduced by \$20.4 million since FY 2018. These two changes set the stage for a challenging budget year.

The Broward County Property Appraiser's 2020 estimate of the City's taxable property value increased by 5.3% from \$154.8 billion to \$163.0 billion. This increase is expected to yield approximately \$8.2 million in additional property tax revenue for FY 2021. This increase is smaller than the last two years' increases of 8.42% in 2020 and 8.79% in 2019 due to a decrease in new construction added to the tax roll.

Last year at the Commission's guidance, the City's Fire Assessment fee was adjusted to move to full cost recovery. This decision continues to have a positive impact on the FY 2021 budget. The Central Beach Community Redevelopment Area's (CRA) 30-year charter has ended. During its tenure, the Central Beach CRA undertook initiatives that improved the image and aesthetics of the Central Beach Area and spurred substantial private investment. The sunseting of the Central Beach CRA will have a positive impact on the General Fund budget. The General Fund will no longer transfer approximately \$3.6 million in tax increment revenue to the CRA Budget for this redevelopment area.

Our preliminary General Fund budget deficit is \$6.9 million. Our leadership team identified strategic reductions and other budget balancing strategies that would present minimal impact to operations, ensure long-term financial sustainability of the City, and ensured that the resulting budget aligned with the goals of the City's Vision Plan, Strategic Plan, and Commission Annual Action Plan. Highlights of revenue and expenditure changes are included in **Attachment 1**.

Because of the revenue increases described above and the strategic reductions and balancing strategies that were developed, we are pleased to present a budget that enables us to maintain our current low millage rate of 4.1193 for the 14th consecutive year. The preliminary budget that we are sharing is structurally balanced for the eighth straight year. Estimates for State revenues such as the Communications Service Tax and Half Cent Sales Tax have not been updated for FY 2021 estimates by the State. Our preliminary estimates assume an 8% reduction in these revenues based upon reductions experienced during the last recession. These revenue estimates will be updated once the State releases their estimates.

An outline of strategies that we are recommending to balance the FY 2021 budget is included as **Attachment 2** and below are a few highlights:

- \$1 million reduction in Capital Project funding due to expected Transportation Surtax Funding
- \$738 thousand reduction due to Special Obligation Bond refinancing
- \$1 million reduction in transfer of Sanitation Franchise Fees to the Sanitation Fund
- \$900 thousand reduction due to the payment of retiree health stipends directly from the OPEB trust fund
- \$1.66 million increase in development-related revenues due to updated fee studies
- \$450 thousand increase for adjustment of fire inspection fees to full cost recovery

To avoid staffing reductions, we will work toward targeted changes in discussions with our collective bargaining units. These reductions were chosen because they will not reduce the overall pay currently earned by our staff and will have ongoing positive financial impacts for our General Fund:

- \$2.3 million – Elimination of cost of living adjustments for FY 2021
- \$700 thousand – Delayed a transition to the Florida Retirement System

The FY 2021 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 2021 preliminary budget with you at a Joint Workshop scheduled for June 16, 2020.

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 the eighth Commission Annual Action Plan that articulates our organization's highest priorities and strategic initiatives for the upcoming fiscal year. The Commission Annual Action Plan Funded Items Summary (**Attachment 3**) demonstrates how funding in the FY 2021 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 4 – 7**) prior to making funding recommendations for FY 2021. These schedules have been provided as part of the preliminary budget information.

While the budget information is still preliminary, it conveys the detailed departmental budget requests (**Attachment 8**) and the strategy that I recommend for achieving a structurally balanced budget in FY 2021. The budget invests in the City's priorities and lays the foundation for a financially sustainable future.

The FY 2021 Proposed Budget and FY 2021 - FY 2025 Community Investment Plan (**Attachment 9**) are scheduled to be presented at the City Commission meeting on July 7, 2020. 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 2021 General Fund Preliminary Budget Summary
- (2) FY 2021 Strategic Reductions and Budget Balancing Strategies
- (3) FY 2021 Commission Annual Action Plan Alignment
- (4) Five-Year Fleet Replacement Plan
- (5) FY 2021 PC Replacement Plan
- (6) Five-Year Technology Infrastructure Upgrade Plan
- (7) Police Department Animal and Bulletproof Vest Replacement Plan
- (8) FY 2021 Strategic Enhancement Requests
- (9) FY 2021 – FY 2025 Community Investment Plan

c: Rob Hernandez, Deputy City Manager
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