



TO: Honorable Mayor and City Council Members

THRU: Ed Lavallee, ICMA-CM, MPA, City Manager *EL*

FROM: Linda Senne, CPA, Finance Director *LS*

DATE: May 14, 2021 **MEETING DATE:** May 25, 2021

SUBJECT: Request to Exceed 3% Budget Cap for FY2022 Budget

Background:

Section 5.02 of the City of Venice Charter places a constraint on the size of a general fund budget that can be submitted by the City Manager to the City Council, without prior Council approval. City Management is hereby requesting the City Council's formal approval to exceed the cap for the FY2022 proposed general fund budget. Section 5.02 reads as follows:

"At least two months prior to the beginning of the fiscal year, the city manager shall submit to the city council a proposed balanced budget and additional recommendations of needs of the city for the ensuing fiscal year and an accompanying message. Without prior city council approval, the city manager's proposed general fund component of the budget shall not be increased by greater than three percent of the approved general fund component of the budget for the prior year, or the percentage change in the Consumer Price Index for All Urban Consumers, U.S. City Average, all items 1967=100, or successor reports for the preceding calendar year as initially reported by the United States Department of Labor, Bureau of Labor Statistics, whichever is greater. Nothing herein shall prohibit the city council from adopting a budget in excess of this limitation, so long as the approved budget is otherwise in accordance with law."

The section above says, that when the City Manager submits his FY2022 proposed budget for consideration, he must receive pre-approval from the City Council if the general fund appropriations are more than 3% higher than the FY2021 general fund budget.

Request:

The City Manager plans to submit a proposed FY2022 Budget to the City Council in advance of the regular budget workshops beginning June 16, 2021. It will be a balanced budget with anticipated revenues plus reserves equaling or exceeding appropriations in all funds. The Budget will be prepared in accordance with sound financial and budgeting principles, and will address the goals and objectives set forth by management and the City Council. In the General Fund, property tax revenues will be estimated assuming a 5% increase in assessed valuations (new and existing combined) and "no change" in the millage rate. It is expected that the General Fund's appropriation section will exceed the 3% cap, but will be less than or equal to anticipated revenues for the year, and will utilize no fund balance carryforwards. *The City Manager is requesting pre-approval to exceed the Charter cap.*

The Charter Cap Calculation

The maximum proposed FY2022 General Fund Budget (without Council pre-approval) would be \$37,369,995, calculated as follows:

<i>Base Year Calculation</i>		
A	Original FY2021 Budget	\$ 36,056,183
	Encumbrances Rolled from FY2020	204,733
	Budget Amendment #1	20,633
	Budget Amendment #3 (CARES Act)	646,080
	Less: Extraordinary Amendments	(646,080)
B	General Fund Component for the Prior Year	<u>\$ 36,281,549</u>
<i>Applicable Inflator - Greater of</i>		
	2020 CPI-U	1.40%
	Charter Rate	3.00%
<i>Maximum Proposed Budget Without Council Approval</i>		
B	General Fund Component for the Prior Year	\$ 36,281,549
	Applicable Inflator	103%
C	Maximum Proposed Budget w/out Council Approval	<u>\$ 37,369,995</u>

Goals and Objectives

The 3% cap correlates to an increase over the FY2021 *original budget* of \$1,313,812 (C – A). Some of the more significant items that will cause an increase greater than this amount are the following:

- Three new full-time public works department employees and related supplies, to comply with the new proposed Parks Agreement with Sarasota County (\$321,260)
- 3.5% pay increases for current employees (\$937,221, including benefits)
- An 6-7% increase in employer contribution rates under the Florida Retirement System (\$140,669)
- A 17% increase in property and liability insurance premiums (\$97,478)
- An increase in vehicle rent payments (depreciation) into the City's Fleet Replacement Fund (\$257,187)
- Budgeting the appropriation of one-time grant expenditures for an emergency management mobile command unit (\$274,707)
- Continuing the policy of excess contributions to the City's Police and Firefighter's Pension Trust Funds
- A \$70,000 road condition assessment (Engineering)

Your pre-approval is appreciated. Please do not hesitate to contact me with questions or comments.