AGENDA MEMORANDUM

Meeting Date:	**August 23, 2023**
To:	The Honorable Mayor Maria Puente Mitchell and Members of the City Council
From:	Tammy Romero, Interim City Manager
Via:	Chris Chiocca, Finance Director
Subject:	FY 2023-24 Budget Workshops

In preparation for the third budget workshop tonight August 23, 2023, we are presenting Council with various options to assist Council in making sound financial decisions when addressing the proposed FY 23-24 budget.

The following are the three alternatives to consider:

At the millage rate cap of 6.9900, the budget would show a deficit of $594,603 that may be funded from available fund balance. This does not include any items on the wish list.

This scenario leaves an estimated unassigned fund balance at approximately 28.3% or $6.4 million (excess of $700,000).

At the current operating millage rate of 6.9100, the budget will create a deficit of $716,625 that may be funded from available fund balance. This does not include any items on the wish list.

This scenario leaves an estimated unassigned fund balance at approximately 27.8% or $6.3 million (excess of $600,000).

An additional option is a combination of the use of available fund balance and /or a combination of cost reductions selected by Council.

We have provided some possible cost reductions based on discussions with the departments. Some of the possible reductions affect service levels and some do not, some affect employee pay and benefits while others affect current programs.

Each reduction of .10 in millage is equivalent to $152,528 for FY 23-24.

The city has accumulated a healthy unassigned fund balance over the years in order to meet unexpected events or disasters. It is projected that at the end of FY 23 the available and unassigned general fund balance will be approximately $7.0 million.

As you are aware, the Government Finance Officers Association (GFOA) recommends a reserve of 15% of annual budgeted expenditures. A few years ago, the City Council and Administration established an internal policy that the reserve level should be 25%. This reserve would be available for unanticipated costs such as hurricanes, insurance increases, and other extra ordinary items. For FY 23-24 the reserve at the 15% level would be approximately $3.4 million while at 25% the reserve would be approximately $5.7 million. The current policy states that if reserves fall below 25%, the city would need to plan to replenish the reserves back to the 25% level within the following two fiscal years.

In addition, the administration is still looking at several options to lower insurance costs (except for health) for the upcoming fiscal year.