

City Commission Budget Workshop #1

May 13, 2025

4:30 p.m.

ELECTED OFFICIALS PRESENT:

Adrian Petrilu, Mayor

Karen Marriott, Vice Mayor, Commissioner, District 1

Lisa Robinson, Commissioner, District 2

Betty Rzewnicki, Commissioner, District 3

Joe Moholland, Commissioner, District 4

STAFF PRESENT:

Ralf Brookes, Interim City Attorney

Frances Robustelli, City Manager

Renee Rose, City Clerk

Devon Schmidt, Finance Director

Mayor Petrilu called the meeting to order at 4:37 p.m., followed by the Pledge of Allegiance.

City Manager Frances Robustelli updated the commission on the fire at CVS today, stating that the fire is contained to CVS. Seven units are affected with smoke. CVS is deemed a total loss. There were no injuries reported.

I. PRESENTATION: FY 2026 BUDGET WORKSHOP #1

City Manager Frances Robustelli gave a brief overview of the revised budget workshop process. Tonight's discussion will remain high-level as the team seeks guidance on approach. Extensive detail was provided to give the commission a comprehensive view of the city's capital needs.. Public Service Director Camden Mills consolidated all past studies into a single capital program to illustrate the full scope of what it costs to run the city from a capital perspective. The goal is to get policy-level direction and support from the commission as the budget process moves forward.

Finance Director Devon Schmidt stated this workshop will kick off the FY 2026 budget discussions that will cover historical financial data, a reserve analysis, an initial capital improvement plan, and recommendations from the Finance & Budget Review Committee. Staff is seeking policy direction on using the proposed capital prioritization to prepare the FY 2026 capital budget.

Historical Financial Overview – Forecasting comes with challenges, including hurricane-related impacts on revenues, FEMA reimbursement uncertainties, and potential tariff effects. General Fund subsidies to enterprise funds raises concerns around best practices and financial management. To address these, the city plans to implement strategic, long-term measures such as a fee and impact study, a 10-year financial forecast, and updated reserve policies. The FY 2026 budget will also reflect best practices aligned with GFOA standards and explore revenue diversification, including fees and grant opportunities.

Strategic Long-Term Considerations – Ms. Schmidt explained some of the considerations: the city plans to implement strategic, long-term measures stated earlier. Aligning the budget with the strategic plan is essential, as it ensures financial decisions reflect community needs, commission priorities, and guides staff in implementing goals throughout the budget process.

Ms. Schmidt said the ad valorem taxable values show that single-family homes and condos make up a significant portion of the property tax base. Understanding this distribution is key for effective financial planning. A future workshop will break down homesteaded vs. non-homesteaded properties.

Ms. Schmidt provided a detailed look at general fund revenues over \$100,000, identifying trends and guiding funding decisions. Most of these revenue sources are controlled at the county or state level, limiting local flexibility. General fund revenue sources include ad valorem taxes, parking, county EMS reimbursements, utility taxes, and sales tax (a smaller portion). The 2025 year-to-date figures show current revenue trends, with some transfers pending. To improve financial sustainability, the city is exploring revenue diversification opportunities such as a potential bed tax, grants, fee and impact studies, and adjustments to program fees like those in parks and recreation. It's important to distinguish between the general fund and proprietary (enterprise) funds: wastewater, reclaimed water, stormwater, and multimodal. These enterprise funds should operate like self-sustaining businesses, but currently rely on subsidies from the general fund, which is not considered best practice. Reducing this reliance is important for effective financial management.

Ms. Schmidt said they look to achieve a budget accuracy of 96% of the budget, aligning budgeted figures with actual expenditures. Setting reserve policies is also a priority, ensuring funds are saved for future projects or emergencies. Unspent funds may be directed to capital projects, but only after meeting reserve requirements. The year-over-year general fund comparison shows the city's financial performance, including revenue, expenditures, and net amounts. The city has been building reserves, but stronger reserve policies are needed. The difference between budgeted and actual figures highlights the importance of achieving the 96% budget accuracy goal to better align spending with projections.

Several enterprise and special funds face financial challenges due to misalignment between budgets and actuals, along with a reliance on general fund subsidies. The Wastewater Fund shows a significant variance between budgeted and actual spending, as the current rate structure doesn't generate enough revenue to cover capital needs. The Reclaimed Water Fund's revenues aren't sufficient to cover operations without a subsidy. The Stormwater Fund generates approximately \$500K annually, but its capital needs exceed \$700K. The Building Fund has been supported by past actuals, though it's important to note that waiving permit fees resulted in \$3 million in uncollected revenues. The Fleet Fund is crucial for managing vehicle replacements, with a focus on long-term planning. The Resiliency Fund, created in 2023, isn't seeing increased revenues yet. The Multimodal Fund supports infrastructure for new development but was budgeted to dip into its fund balance. Moving forward, the goal for FY 2026 is to better align revenues and expenditures, reduce dependency on subsidies, and improve budgeting practices across all funds.

For fiscal year 2023, \$22 million was budgeted for Capital Projects, but only \$4.8 million was completed, highlighting an area for improvement in budgeting practices. The goal moving forward is to more accurately budget for projects anticipated to start or complete within the year. 2024 was similar, with \$25 million planned and \$7.1 million actually spent. The city is considering an emergency bridge loan to cover operations due to uncertainties around FEMA reimbursements, which could take 5-7 years to receive. The initial cost of hurricane response significantly impacted the general fund. The lack of reserve and investment policies also affect the city's financial resources.

Ms. Schmidt next reviewed a comprehensive budget comparison by fund. The beginning fund balances are unaudited and subject to change. There are potential FEMA reimbursements in the wastewater fund, where reimbursement is expected for pump station 1. The city is considering the emergency bridge loan to cover operational costs. The city spent \$7.3 million on contracts related to Helene, with \$6.2 million in actual expenditures, and \$2.7 million on contracts for Milton, with \$761,000 spent to date. Some of these costs covered debris collection and building remediation. The general fund paid for pump station repairs, which typically should have been covered by the wastewater fund, highlighting a deviation from financial best practices.

The initial 5-year capital improvement plan provides a comprehensive overview of the city's needs, addressing projects identified through past studies. Staff is seeking policy direction from the commission to help prioritize and reduce the scope of these projects to create a balanced budget. Projects are prioritized based on community needs: storm repair, restore, restore with resiliency, and amenity enhancement. Not all projects will be recommended, as many critical infrastructure projects have historically been deprioritized due to funding constraints, resulting in a long list of unfunded capital projects.

An overview followed for 2026-2030 to provide the necessary projects to restore the ageing infrastructure and include community amenity enhancements that will be delayed due to the priority of critical infrastructure. Key funding sources include Penny for Pinellas and potential FEMA reimbursements, though some project funding is still undecided. Rising costs, especially for seawalls, may further impact budgets. With over \$50 million in identified needs for FY 2026 alone, the city is seeking policy direction from the commission to prioritize projects and develop a balanced, realistic capital budget.

The city's total revenues, expenditures, and fund balances show that it's not feasible to move forward with \$50.48 million in capital projects for FY 2026. However, it's important to recognize the significant needs that exist within the community.

The reclaimed water fund relies on service charges and connection fees but is not generating enough revenue to cover operating costs, requiring a \$400,000 general fund subsidy. Key projects include replacing lateral service pipes and restoring the pig port system, both categorized under resiliency. The stormwater fund is sustaining operating expenses but cannot meet growing capital needs. Major projects focus on infrastructure improvements, sea-level rise adaptation, and flood risk mitigation. These include new pump stations, drainage upgrades, seawall enhancements, and an updated watershed management plan. Most projects are funded by stormwater and the general fund and categorized as resiliency or restore. The wastewater fund can cover operations but not major capital needs. Important projects include asset management updates, force main replacements, and pump station overhauls. There's also a focus on storm damage repairs and system inspections post-Hurricane Helene. Some projects may qualify for FEMA or grant support, but many are reliant on general fund subsidies, which is not best practice. Enterprise funds should be self-sustaining and not rely on general fund transfers. As the city prepares its FY 2026 budget, it's important to align enterprise operations with financial best practices and consider parking as a potential new enterprise fund, as it is a revenue generator with no restrictions on the use of the revenue.

The Finance Budget Review Committee recommends completing fee studies quickly and implementing them, prioritizing capital projects that address system failures and restorations first and then considering other projects. Staff will return with project recommendations for committee and commission review. This is the first of five budget workshops. At the next session on June 10, an updated Capital Improvement Plan and a position and benefits overview will be presented. Staff seeks policy direction from the commission to proceed using the proposed capital project prioritization categories in preparing the recommended budget.

The discussion that followed focused on improving the accuracy of budgeting by aligning budgeted figures more closely with actual expenditures. Past discrepancies were attributed to overestimating project execution capacity, staffing attrition, and contingency funds that went unused. Going forward, staff intends to tighten spending plans and only include projects that are realistically achievable within the fiscal year. The commission supported this approach and emphasized prioritizing critical repairs and restorations before enhancements. There was also a suggestion to re-evaluate city lease agreements to ensure fair market value, as many appear outdated or undervalued.

While commissioners considered additional revenue options, such as short-term rental fees, staff clarified that

Florida law restricts local governments from imposing certain taxes or fees beyond administrative costs. Those strategies may not produce significant revenue or be feasible without legal risk. There was interest in the timing of the fee study. Staff expects to receive preliminary data in time to inform the budget planning process, with final adoption of new fees along the way.

It was emphasized that while "repair and restore" should be a top priority, resiliency projects—those that proactively strengthen infrastructure—should not be overlooked. Strategic prioritization is needed to balance immediate repairs with long-term improvements.

The next Finance & Budget Review Committee meeting is June 4.

5. Adjournment

The next Commission Budget Workshop #2 is scheduled for June 10, 2025 at 4:30 PM.

Mayor Petrila adjourned the meeting at 5:31 p.m.

MINUTES APPROVED: 5/27/2025



RENEE ROSE
CITY CLERK



ADRIAN PETRILA
MAYOR