City Commission Budget Workshop #5
August 26, 2025
4:30 p.m.

ELECTED OFFICIALS PRESENT:
Adrian Petrila, Mayor
Karen Marriott, Vice Mayor, Commissioner, District 1
Lisa Robinson, Commissioner, District 2
Betty Rzewnicki, Commissioner, District 3
Jon Maldonado, Commissioner, District 4

STAFF PRESENT:
Frances Robustelli, City Manager
Ralf Brookes, City Attorney
Renee Rose, City Clerk
Adam Poirrier, Asst. City Manager
Jim Kilpatrick, Fire Chief
Laura Canary, Community Development Director
Devon Schmidt, Finance Director
Camden Mills, Public Services Director
Jill Sassone, Human Resources Director
Marc Portugal, Communications Manager
Cathleen Bowley, Interim Library Director

Mayor Petrila called the meeting to order at 4:31 p.m.

1. BUDGET WORKSHOP #5: TENTATIVE BUDGET BOOK & SUMMARY OF CHANGES FROM PREVIOUS VERSION

Finance Director Devon Schmidt presented the City's tentative budget for consideration. The presentation is made part of the meeting record. She reviewed the Finance Budget Review Committee's (FBRC) recommendations, summary of changes, additions to the budget book for Government Finance Officers Association (GFOA) best practices, financial policies, and the timeline for next steps in the budget process. The FBRC had consensus on the tentative budget without requesting figure changes. Their recommendations included clarifying quarterly reports (balance sheet, income statement, fund balance, budget-to-actual comparisons), including nonprofit grants in fiscal impact considerations, adjusting labels in the FY25 column, and clarifying executive salary categories. The committee also requested stronger focus on clearer documentation of financial policy statements, improving relationships with the County, and future mapping of capital projects with revenues by district. Additions to the budget book align with GFOA's best practices. These include: a City Manager's budget message, a community profile, strategic roadmap alignment with Commission priorities, updated financial policies for annual review, a budget calendar, public engagement opportunities, and historical revenue and trend analysis. Ms. Schmidt highlighted the discovery of a $5.8M coastal resiliency reserve previously earmarked by a past commission, clarified during the City's Annual Comprehensive Financial Report (ACFR). She recommended this funding to be directed to the resiliency fund. The tentative budget also includes performance-based employee evaluations tied to pay adjustments, continuation of cost-of-living increases, vacancy budgeting to better align actual staffing costs, and reappropriated projects crossing fiscal years (including fire station improvements, utility undergrounding, dune walkovers, and community center seawall work). Certain vehicle replacements were deferred to save costs. Next steps include a November 5th after-action review with the FBRC, evaluation of improvements for the FY2027 budget process, and mapping capital projects with district-level revenue generation in early 2025.

Ms. Schmidt presented the financial policies included in the proposed budget. Many of these policies reflect practices the City already follows through its ACFR or standard operating procedures. Incorporating them into the budget provides transparency and gives the Commission an opportunity to review and modify them annually. At a high level, the policies outline the City's fund structure, governmental and proprietary, and allow for new funds to be added through the budget process. Budget policies emphasize compliance with federal, state, and local requirements; public engagement opportunities; multi-year forecasting; prioritization of essential services; cost management; workforce stability through attrition instead of layoffs; and fiscal responsibility by paying current expenditures with current revenues. Key budget practices include avoiding the deferral of critical costs, maintaining adequate reserves for capital asset replacement, and funding debt service responsibly. Policies call for strong budgetary controls, quarterly financial reporting, integration of service levels and performance measures into future budgets, targeted for FY2027, annual surplus property auctions, and ensuring enterprise funds are self-sustaining. Staffing levels are capped at Commission-approved FTEs, with any changes requiring Commission approval. The City also introduced a fund balance and reserve policy: maintaining a 25% reserve for general operating expenditures, plus a 10% contingency for hurricane emergencies, totaling 35%. Revenue policies include annual review of millage options after preliminary tax rolls, annual fee studies for cost recovery, and flexibility in revenue allocation while seeking federal, state, and nonprofit grants. Debt policies prioritize special assessment or self-supporting bonds over general obligation bonds, with limits tied to assessed property value and useful life of projects. Cash management policies include timely deposits, aggressive collection of revenues, safe investment practices, and quarterly investment reports. The City will continue annual independent audits with management letters for accountability. Capital improvement policies define assets over $20,000 for inclusion in the CIP, with a five-year plan currently in place and a goal of expanding to a ten-year plan. Future refinements will include improved prioritization and ranking of capital projects. The budget development process requires the City Manager to propose a budget before September 1, with at least two public hearings before adoption by ordinance. Departmental transfers can be approved administratively, but inter-fund or supplemental appropriations require Commission action by ordinance. The City modeled its policies after examples from the GFOA, the City Charter, and existing financial documents, with the goal of aligning with best practices and positioning the City to pursue the GFOA Distinguished Budget Award.

The discussion questioned opportunities for public input during the budget process. Staff explained that the full budget book had been posted on the City website, along with the Finance Director's contact information, and referenced in the City Manager's weekly operations report. Additional opportunities for comment were offered during this workshop, with the two public hearings scheduled for September 8 (first reading) and September 22 (final hearing and final reading). Ms. Schmidt said she received some citizen comments and will send them to the Commission. Commissioners suggested adding an informal engagement forum or a budget town hall in future years to increase public participation. Concerns were raised that online postings and notices did not provide clear instructions or links for residents to submit feedback. Ms. Schmidt will include this feedback into the after-action review with the FBRC. Further discussion included the City's financial policies and whether the policies presented were new recommendations or existing practices. Ms. Schmidt explained that most represent the City's practices but are now being documented in one place for transparency and consistency, aligned with GFOA best practices. Recommended policies such as the 35% reserve fund balance are new, while others update previous measures, like the Coastal Vulnerabilities Fund being transferred into resiliency reserve policy). These updates are intended to streamline financial management, ensure reserves for both recovery and resiliency, and provide clear annual guidance subject to Commission review and modification. Additional questions focused on the City's budget-to-actual variance goal (96%). There was concern that this could create pressure to spend funds unnecessarily. Ms. Schmidt said the target is intended as a planning tool to improve budgeting accuracy, not as a mandate to spend down funds. Departmental budgets are reviewed line-by-line with the City Manager and Finance Director to ensure requested funds are necessary, with unneeded items excluded. There were questions about accounting methods for revenues and expenditures. The City uses modified accrual for governmental funds and full accrual for proprietary funds, with revenues sometimes accrued, like grants, and other times recorded on a cash basis, like ad valorem taxes, depending on the source and timing. Ms. Schmidt shared that there are internal improvements in finance operations, including cross-training to address gaps in institutional knowledge, succession planning, and alignment of the annual audit schedule with the budget process to ensure audited figures are available earlier in the budget cycle.

Ms. Schmidt reviewed the City's financial summaries, revenue tables, and historical revenue analysis, noting that these inclusions follow GFOA best practices. The General Fund was highlighted as the City's largest source of revenue. She explained that ad valorem revenues had been projected to decline by 3% due to taxable value reductions reported by Pinellas County. This prompted questions from a resident regarding declining property values and corresponding property tax revenues. She confirmed that the reduction reflects updated county tax roll data and is not an arbitrary projection. There was discussion on how the City would offset potential future shortfalls if ad valorem revenues decline further. Ms. Schmidt said quarterly financial reports will provide updates on revenue and expenditure trends, allowing the Commission to address shortfalls quickly. Options include expense reductions as the first measure, with emergency bridge loan interest proceeds or reserves available if needed. The City's total annual budget is approximately $120M, with ad valorem revenues representing about $15.1 million. A 3% reduction equates to roughly $450,000, or less than 1% of the total budget. A 10% reduction would amount to $1.5 million, still just over 1% of the annual budget. It was noted that the City's average 3% decrease is the result of cumulative changes across all properties, with some long-homesteaded homes seeing significant taxable value increases upon sale, while other residents experienced larger-than-average reductions. Ms. Schmidt described a new conservative budgeting method that accounts for the 4% discount rate many residents use when paying property taxes early. If fewer residents take advantage of the discount, ad valorem revenues could come in higher than projected. Budget balancing is achieved through available revenues plus reserves against expenditures.

Ms. Schmidt moved on to a high-level overview of revenues and expenditures by fund. The City's total expenditures are approximately $112M, with the General Fund and Capital Improvement Fund representing the largest portions. General Fund expenditures appear elevated because they include transfers to the Capital Improvement Fund and the Resiliency Fund, as recommended. At a global level, revenues and expenditures across all governmental and proprietary funds were reviewed, along with alignment to the City's strategic roadmap. She highlighted the proposed 35% reserve fund balance policy, 25% for operating plus 10% for hurricane emergency contingency, currently estimated at about $9 million. This reserve will be reassessed annually, allowing the Commission to adjust based on emergency experiences or future stability. The General Fund was broken down by revenues, primarily taxes, and expenditures, with the largest share in non-departmental transfers and debt payments, followed by Fire/EMS. No changes were reported to the Building Fund. In the Resiliency Fund, revenues include intergovernmental grants for community seawall and watershed management projects, the recommended $5.8M transfer from the Coastal Vulnerabilities fund, and an existing $3.2 million fund balance. These resources create flexibility for grant matches and future adaptation projects. No changes were noted for the Multimodal Fund. The Capital Fund was adjusted to include transfers above the 35% reserve threshold, with a lot going toward Fire Station 22. Intergovernmental revenue declined slightly due to project reassignments to the Resiliency Fund. The Capital Fund is projected to hold a $1.3M balance in FY2026, available for projects or grant matches. The Fleet Fund showed reduced expenses following removal of three vehicle replacements. Proprietary or Enterprise funds, wastewater, reclaimed water, and parking, were reviewed. No immediate changes were recommended, but the fee study may result in future amendments. The Capital Improvement Plan (CIP) highlighted reappropriation projects carried into FY2026, resiliency-related initiatives, and an adjustment to Fire Station 22, moving $2 million forward into FY2026, which was $5M at the last workshop. Questions raised by residents included shell alley maintenance and mitigation projects, which Ms. Schmidt confirmed are budgeted within Public Services operating funds. Budget adoption steps include the first public hearing on September 8 and the final hearing on September 22.

Discussion included enhancing public engagement in future budget cycles. Suggestions included introducing opportunities for community input earlier in the process, either through dedicated forums or by inviting public comment during workshops, rather than waiting until the two required hearings in September, when most of the work is already complete. It was noted that some residents reported property tax increases despite declining property values. This was likely due to recent home sales resetting taxable values, and residents were encouraged to contact the Pinellas County Property Appraiser's Office for possible exemptions or adjustments. Additional questions were raised about Enterprise Fund fees for water, reclaimed water, and wastewater. Ms. Schmidt clarified that no increases are included in the current budget; future adjustments will be based on fee studies. To improve transparency, Ms. Schmidt offered to prepare a budget FAQ for distribution in the City Manager's weekly operational report. There was feedback on the workshop process, noting that the volume of material and short review time created challenges. Circumstances this year were unique due to transitions in leadership and timing. Ms. Schmidt said she plans to provide the FBRC budget materials at least two weeks before their meetings, which would allow three weeks of review time for the Commission and the public before hearings.

5. Adjournment

The meeting was adjourned at 5:41pm.

MINUTES APPROVED: SEPTEMBER 8, 2025

RENEE ROSE
CITY CLERK

ADRIAN PETRILA
MAYOR