M E M O R A N D U M

TO: Town Commission

FROM: Howard Tipton, Town Manager

REPORT DATE: August 27, 2025

MEETING DATE: September 8, 2025

SUBJECT: FY26 Recommended Budget and Public Hearing

Background

In accordance with Town Charter Article V, Section 3, the Town Manager submitted a Recommended Budget and accompanying message for the ensuing fiscal year on August 1, 2025. This document can be found on the Town's website http://www.longboatkey.org.

Revenue Highlights

Certified real estate values as of July 1 have shown a 5.96% increase from FY25, amounting to a taxable value of $9,741,762,082.

- This increase generates $1,029,235 in new Ad Valorem revenue at a millage rate of 1.9600.
- Additionally, $188,780 has been accrued in new Non-Ad Valorem revenue.
- Communication services taxes remain unavailable for this period.
- Sales taxes and investment income have remained steady.
- Franchise fees have increased by 11%.

Wages and Benefits (80% of Budget)

Since the release of the Recommended Budget on August 1, 2025, we have completed performance evaluations and applied the merit-based compensation adjustments to personnel expenditures and related benefits. Department heads and managers received a 2% cost-of-living adjustment (COLA), while non-managers received a 3% COLA. Additionally, the merit-based increase ranged from 3% to 5% based on performance scoring, with an average of 3.5%. Fire and Police personnel are compensated in accordance with bargaining unit contracts. Based on the budgeted figures, Fire Department wages increased by 9.3%, and Police wages increased by 5.3%.

Workers' compensation renewal rates came in at 3% plus applicable increases to payroll. This resulted in additional costs of approximately $54,000 across all funds since the August numbers were reported. The Florida Retirement System (FRS), applicable only to the Fire Department, has increased by $19,288 since August. This should not be confused with the actual increase of $171,160 from the prior year.

Health insurance renewal rates came in at 2.5% through our self-insurance pool, compared to proposed rate increases of the Affordable Care Act Marketplace, estimated at 18% to 27% for 2026, although these are not confirmed. The adjustment to healthcare resulted in approximately $143,516 in savings from our original estimates in August.

The Town uses a detailed budgeting approach for personnel costs, including details for all active employee positions and the current health insurance enrollment for those employees. The Town usually budgets a family plan for any vacant positions. There have been many other changes to staff since the August numbers were reported, including terminations, new hires, probationary increases, pay class changes, or life event changes. These changes increased the budget by $225,632.

Other Changes

Our commercial property, auto, and liability insurance coverage ("PAL"), which we built in a 20% increase, came in at 9.67%, providing $63,740 in savings since the August numbers reported. This again is very positive news, since we collected $1.7 million in hurricane recovery proceeds this year associated with Hurricanes Milton and Helene from our carrier. The Town pays approximately $927,000 in premiums for PAL, including Workers' Compensation combined. Communication Service Taxes were not updated on the State's website and therefore, have not been adjusted.

Indirect Cost Transfers

Based on the revised Departmental costs, our formula for allocating indirect costs to the General Fund from the Utility and Building Enterprise Funds has been completed, and as such, revenues to the General Fund have increased $36,151.

Capital Improvement Plan

There were no changes to the Capital Improvement Plan except for a reduction in carryover balances by $2.9 million, reflecting amounts spent since May 23, 2025. The next reduction in the carryovers will take place after we close the fiscal year, after the audit. We only carry over amounts remaining after all September invoices have been processed and recorded in the proper fiscal year.

Taxes

The Revised Recommended Budget Book dated September 8, 2025, can be found at this URL: https://town-longboat-key-fl-budget-book.cleargov.com/21009 on the Town's website under News and Finance Department webpages.

This is the first of two required Public Hearings on the Budget following two Budget Workshops held on May 19th and June 23rd, and a Special Meeting to set maximum millage rates held on June 27, 2025, which were also open to the public. We have made no changes to the millage rates since then. The public is encouraged to watch the recorded meetings on the Town's website to learn more about the budget.

At the June 27, 2025, Special Meeting, we presented certified values, which were 5.96% higher than the prior year, which would produce an increase in revenue of $1,029,236 using the same millage rate of 1.9600 used in FY25. The Commission set the maximum millage rates shown below, which were submitted to the Counties for Truth in Millage (TRIM) notices.

- 1.9600 Operating (Maximum)
- 0.0380 Facility (Fire Stations) Debt
- 0.5563 Beach Gulfside
- 0.1391 Beach Bayside

The Maximum Millage Rate is the highest millage rate that the Town Commission may levy in September. The final millage rates can be lower, but not higher, than the maximum millage rate set on June 27, 2025, including the millage rates for debt. We are presenting a Resolution based on the maximum millages set on June 27, 2025.

Save Our Homes legislation limits homestead property value increases to 2.9%, which is slightly lower than the cap as in the prior year. This means that on properties having a homestead exemption, and their 2025 assessed value is higher than their 2024 assessed value, the maximum allowed by State Statute is 2.9%.

Based on the millage rates shown above, a Gulfside homesteaded million-dollar home would pay an additional $21.10 in taxes compared to last year, and a Gulfside non-homesteaded million-dollar home would pay $202.45 in additional taxes from the prior year. A Bayside homesteaded million-dollar home would pay an additional $47.22 in taxes compared to last year, and a Bayside non-homesteaded million-dollar home would pay $198.96 in additional taxes from the prior year.

This memo provides a summary of changes made since the release of the August 1, 2025, Recommended Budget, and are highlighted below.

Budget modifications made since the August 1, 2025, Recommended Budget

General Fund Revenues (Increase $36,151):

- Indirect Cost Allocation – Utility Fund increased $10,170.
- Indirect Cost Allocation – Building Fund $25,981.

General Fund Expenditures (Net Increase $95,802):

- Decrease to Health Insurance Based on Renewal and Staff Changes – ($143,516)
- Increase to Fire / AD&D Premium - $4,396
- Adjusted Wages for Probation increases, Retiree Payouts, Vacant Positions, Step Changes - $225,632
- Increase to FRS - $19,288
- Increase to Workers Comp - $53,742
- Decrease to Property & Liability Insurance – ($63,740) Renewal 9.67%

General Fund Surplus:

- Revenues exceed expenses by $161,787 – A decrease of ($59,651)
- The FY26 Revised Recommended Budget adds $161,787 to Fund Balance reserves. FY26 budgeted cost per day is $65,460 vs. $62,299 cost per day in FY25 (as amended and excluding one-time hurricane expenses). In FY26, we are 9 days below our minimum target of 120 days; however, we are expecting favorable results in the FY25 projected actuals by an estimated $1.5 million. The policy allows the Town to restore the minimum target levels for unassigned fund balance and total unrestricted fund balance to acceptable levels within two budget cycles.

Special Revenue Fund Changes

- Revenues for Undergrounding Assessment Tax Rolls were updated based on Willdan's initial totals submitted to the Counties for TRIM purposes.
- All grant budget balance carryovers in the Miscellaneous Grant Fund were updated based on expenses accrued through June. Additional adjustments are expected after the year-end close for year-end close accruals.

- Tennis Fund salaries were adjusted based on finalized scores and merit increases.

Capital Improvement Plan Changes:

- The revised Five-Year Capital Improvement Plan is $142.1 million with $70.0 million to be funded in FY26 (includes $59.4 million in Carryover balances reappropriated).
- Inflation impacts, new requests, and initiatives have brought costs up by approximately $4.5 million compared to prior year estimates.
- Capital Plan requires a transfer of $234,000 to the Miscellaneous Capital Projects Fund from the General Fund.
- Our Grants Coordinator and Town staff continue to seek federal and state grants with the assistance of our lobbyists to assist in the funding of Town initiatives.
- $8.6 million in operating and capital grants are included in the FY26 Budget.

Budget Adoption and Legal Requirements
An overview of the FY26 Budget, highlighting any changes since the August 1, 2025, Recommended Budget, will be presented at the first public hearing in September. There are two hearings on the budget scheduled as follows:

- September 8, 2025, 5:01 PM - first reading and public hearing
- September 22, 2025, 5:01 PM - second reading, public hearing, and adoption.

Public hearings are also required on September 8, 2025, for the Capital Improvements Element of the Comprehensive Plan (CIE) Update, being held at 5:01 PM, and the public hearings for the Certification of the Annual Assessment Tax Rolls for both Gulf of Mexico Drive (GMD) and Neighborhood Undergrounding Projects are being held at 1:00 PM.

In accordance with F.S. 166.241, the Tentative Budget must be posted on the municipality's official website at least 2 days before the Budget hearing, to consider such Budget, and must remain on the website for at least 45 days. We will be posting the Tentatively Adopted Budget in digital format on the Town website to be compliant with F.S. 166.241.

Please feel free to contact me if you have any questions.

Staff Recommendation
Forward Resolution 2025-16 and Resolution 2025-17 to the September 22, 2025, Special Meeting at 5:01 PM for the second public hearing and adoption.

Attachments (Available in the Town Clerk's Office)

A. Summary Budget
B. Resolution 2025-16, FY25 Millage
C. Resolution 2025-17, FY25 Budget
D. PowerPoint Presentation (Available In Town Clerk's Office)

FY26 REVISED RECOMMENDED BUDGET

FY26 Estimated Revenues

ESTIMATED REVENUES	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS	ENTERPRISE FUNDS	TOTAL ALL FUNDS
Ad Valorem Tax	18,328,665		3,935,645			22,264,310
Other Taxes	156,000	3,063,747				3,219,747
Franchise Fees	1,002,000		304,027			1,306,027
Licenses and Permits	20,700				1,622,000	1,642,700
Special Assessments		2,566,368				2,566,368
Intergovernmental Revenues	1,602,332	82,416				1,684,748
Charges for Services	697,258	825,475		50,000	12,746,338	14,319,071
Grants		571,060		5,066,037	3,000,000	8,637,097
Fines & Forfeitures	58,250	1,750			30,000	90,000
Bond Proceeds					27,000,000	27,000,000
Investment Earnings	435,000	146,873	70,000	566,450	555,000	1,773,323
Miscellaneous	74,000	13,100		50,000	70,000	207,100
Transfers In	1,914,434		1,686,548	1,934,000	2,500,000	8,034,982
TOTAL ESTIMATED REVENUES	**24,288,639**	**7,270,789**	**5,996,220**	**7,666,487**	**47,523,338**	**92,745,473**

FY26 Recommended Expenditures

ESTIMATED EXPENDITURES	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS	ENTERPRISE FUNDS	TOTAL ALL FUNDS
Town Commission	47,200					47,200
Legal Counsel	424,000					424,000
Town Manager	794,609					794,609
Town Clerk	630,545					630,545
Finance	1,139,558					1,139,558
Information Technology	1,642,434					1,642,434
Purchasing	152,957					152,957
Human Resources	494,544					494,544
Facilities	183,314					183,314
Police	4,563,442	321,094				4,884,536
Fire/Rescue	9,512,720	26,426	355,482			9,894,628
Emergency Management	25,100					25,100
Public Works (Includes Undergrounding)	921,113	81,250	1,991,575			2,993,938
Parks/Recreation (Includes Beach and Canals)	445,599	20,000	3,581,150	590,304		4,637,053
Planning and Zoning	826,138					826,138
Streets	869,394	35,000				904,394
Tennis		740,949				740,949
Water					3,391,174	3,391,174
Wastewater					3,990,210	3,990,210
Building					2,528,277	2,528,277
General Services	920,185	5,523	2,470	263,719	3,276,940	4,468,837
Contingencies	300,000			1,576,999	150,000	2,026,999
Capital Outlay		2,432,799		25,334,905	40,311,356	68,079,060
Transfers Out	234,000	3,386,548			4,414,434	8,034,982
TOTAL RECOMMENDED EXPENDITURES	**24,126,852**	**7,049,589**	**5,930,677**	**27,765,927**	**58,062,391**	**122,935,436**

FY26 Estimated Fund Balances

SUMMARY	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS	ENTERPRISE FUNDS	TOTAL ALL FUNDS
REVENUES	24,288,639	7,270,789	5,996,220	7,666,487	47,523,338	92,745,473
EXPENDITURES	(24,126,852)	(7,049,589)	(5,930,677)	(27,765,927)	(58,062,391)	(122,935,436)
BEGINNING FUND BALANCE	7,068,557	9,632,851	348,020	36,050,457	68,395,878	121,495,763
ENDING FUND BALANCE	**7,230,344**	**9,854,051**	**413,563**	**15,951,017**	**57,856,825**	**91,305,800**

End of Agenda Item