



October 1, 2022

Honorable Mayor and City Council:

It is my pleasure to present the adopted budget for the fiscal year ending September 30, 2023 for the City of Fort Myers. I believe the budget is a solid, financial plan that best positions the City to move forward, and it represents the culmination of the time and dedicated efforts of the City staff, City Council and citizenry input.

The development of the budget faced many challenges and driving forces including:

- 1) Rising interest rates – impacts the cost to borrow funds for capital projects
- 2) Inflation – reduces purchasing power – cost of projects and procurement of goods and services are steadily rising, as increases are experienced in areas of electric, fuel, chemicals, parts, materials, and labor costs
- 3) Supply chain – controls material availability, also driving price escalations
- 4) Regulatory-driven projects that need to be completed by dates certain
- 5) Striking the balance between operational needs with citizenry affordability
- 6) Affordable housing demand
- 7) Departmental resources to serve a growing community
- 8) Low unemployment driving competition in the workforce, which added pressure to employee salaries and the ability to attract and retain employees

Acknowledging these drivers and its effect on the budget, the City Council, at a budget retreat, updated the City's strategic plan goals. The proposed budget serves as the foundation and means to execute the goals set forth in the revised strategic plan, consisting of:

- 1) Economic Prosperity
- 2) A Safe, Livable and Vibrant City
- 3) A Financially Sound City, and
- 4) Infrastructure.

The following demonstrates how the adopted budget addresses each of these strategic plan goals. (Please note: All comparisons noted are between fiscal year 2022 and 2023 budgets.)

Economic Prosperity:

- Overall, Total General Fund Operating Revenues (excluding transfers in from other funds and use of reserves) increase by \$13.1 million, or 9.9%, from \$133.0 million to \$146.2 million. The main drivers include:
 - Taxable values increase \$1.8 billion, or 20.75%, with \$590.6 million in new construction and average increases of 13.9% in existing properties; Ad Valorem Revenue increases by \$6.9 million, from \$63.0 million to \$69.9 million, even with levying a reduced millage rate of 6.9999, which is only 2.66% higher than the rolled back rate of 6.8182.
 - The Fire assessment increases among all property categories by 9.73%, with resulting revenue generation increasing from \$11.5 million to \$13.3 million, or \$1.7 million, which will address fire rescue response, while alleviating full reliance on the General Fund for funding of such service. The cost recovery from this assessment is 41.1% of the total Fire Department budget.
 - Public Service taxes increase from \$10.5 million to \$11.4 million, or \$0.87 million.
 - Half-Cent Sales tax and the Municipal Shared Revenue, which are based on population, increase by \$2.0 million, from \$10.9 million to \$12.9 million.
- Taxable valuations in the Community Redevelopment Areas increase, producing higher dedicated increment values by \$258.4 million. The City's calculated transfer to the Tax Increment Funds increase by \$1.3 million, from \$4.6 million to \$5.9 million.
- Midtown Revitalization Plan – Currently, the City is in the process of a solicitation to select a firm to evaluate the Midtown area and determine the best use of properties. The budget accommodates the continuation of use of the City of Palms stadium, capital projects to replace and improve the drainage and utility systems in the Midtown area, and the streetscape improvements.
- Creation of the Office of Economic Development, which was previously included in the City Manager's Office, contains a separate operating budget and (2) funded positions. One position is the Economic Development Director, which was successfully hired to commence at the beginning of the fiscal year, which will focus on business recruitment.

Safe, Livable and Vibrant City:

- Adds Police incentives for recruitment and retention including a sign-on bonus, take-home vehicles, and mortgage/rent assistance for those officers living within the City limits.

- Funds a Parks and Recreation Master Plan, which may support the need to increase green space throughout the City. The plan is to review the feasibility of the issuance of general obligation bonds, which will require a voter referendum in the 2024 election.
- Provides for a Traffic Safety Study on McGregor Boulevard
- Commencing the first month of the new fiscal year, two new fire stations, Fire Station No. 17 as well as Micro Fire Station No. 19, are fully operational. The budget adds six (6) new Firefighter positions, additional overtime, and operating resources.
- Provides a contribution in the amount of \$750,000 to the City's Affordable Housing Trust Fund through levying .0821 mills within the total tax levy of 6.9999 mills
- Yacht Basin operations are currently being negotiated with a third-party vendor after a solicitation, to operate and redevelop the City's marina.
- Capital projects include the Midtown Streetscape Improvements as well as US41 Landscaping of Medians, and Junkyard Buyout.
- Funding to execute critical Utility Capital Improvement Projects including:
 - Water Plant Expansion
 - Expansion of Wellfields
 - Rockfill Road Utility Replacement
 - Wastewater plant equipment, namely belt presses, clarifiers, influent pump replacement, injection wells, reclaimed water production, primary treatment, and digester blowers
 - East Water Reclamation Facility
 - Larchmont Utilities Replacement
 - Southward Village Utility Improvements (City commitment as part of the Choice Neighborhood Initiative); and
 - Ortiz Ave from MLK to Nature Center Utilities
- Public Safety capital projects include a new Police Headquarters and the relocation of the Fire Training facility.
- Parks and Recreation capital projects include a new boat ramp, relocation of Parks & Recreation facilities, Citiview Park, security cameras at the recreation facilities, Golfview pool repairs, and completion of design for STARS Expansion.
- Creation of the Office of Communications and Public Affairs, previously included in the Office of the City Manager, to serve as the City's centralized marketing and public information, guiding a unified City brand to enhance the community's cultural footprint.

Financially Sound City:

- Levies a millage rate of 6.9999 per \$1,000 in taxable value, a reduction from 7.5875 in prior year, the 7th consecutive year of millage rate reductions, and it is 2.66% higher than the rolled back rate of 6.8182.
- Use of General Fund Reserves to fill the gap between the expected revenues and planned expenditures in the amount \$2.7 million, which is less than the amount used to adopt the FY2022 budget of \$5.0 million. The City continues to strive towards achieving a structurally balanced budget. It is the City's goal to continually employ conservative budgeting practices, so that the actual execution of this budget will not require any use of reserves. General Fund reserves are projected to be \$33.3 million on September 30, 2023, which is 25.8% of the total operating expenditure budget and exceeds the target of 20% as prescribed in the Fund Balance Policy.
- Funds the position of an Internal Auditor by repurposing a vacant, unfilled, position to assist the City Council and the City Manager, by providing independent, objective, assurance, and consulting services, designated to add value, support accountability, and improve City operations.
- Provides salary adjustments for all employees. However, negotiations are in progress with the General employees' union, as well as the new, Police union, to know for certain what those adjustment will ultimately be.
- Recognizing the need for funding critical utility capital improvements, improving the ratio of cash-funded projects, as well as the compounding impact of rate increases, water and sewer rates increase 4% and reclaimed water rates increase 10%, from \$1.18 to \$1.30 per 1,000 gallons in FY2023, supported by the Utility Revenue Sufficiency Analysis performed by an independent consultant. With continued growth, revenues in the Utility Fund are projected to be an estimated \$80.6 million, funding operations of the water and wastewater plants, the distribution systems, administration, debt service, and more than \$15.6 million in capital improvements. The Utility Fund also funds a water and sewer impact fee study to be completed in the first quarter of the new fiscal year.
- The stormwater assessment increases by 2%; the average, annual residential assessment is \$94.00; and the total Stormwater Fund Revenue Budget is \$6.4 million. In addition to drainage and administrative operating functions, the revenues support the Stormwater Master Plan, Rockfill and Ardmore Roads drainage improvements, 10 mile Canal, Winkler Box Culvert repairs, Maravilla drainage improvements, a Vactor truck, street sweeper, and an aeration trailer.

- Parking rates for the garages and City-owned lots, which are used for special events, will see adjustments in FY2023, including: maximum daily rates increase to \$10 from \$5; nighttime rates in garages increase to \$5 from \$4; monthly rates increase to \$75 from \$55; and special event rates increase. Also, there will be extended hours of enforcement for on-street parking. The increase in revenues generated goes towards the City's debt service on the new hotel parking garage. The City is in the process of selecting new on-street parking equipment and a program. Once in place, those rates will also be evaluated. The Parking Fund revenue for the budget increases to \$2.5 million from \$1.6 million. The fund is fully self-supportive and accommodates the cost of the replacement meter capital project.
- The Skatium Fund Budget was developed based on trends in revenue collections over the course of the past year, bringing the total revenue budget to \$1,037,700 which is \$253,100 more than the prior year budget of \$784,600. Improved revenue generation even without any rate changes, reduces the General Fund subsidy by \$124,900 to a total of \$514,000. A chiller replacement at this facility is planned in FY2023.
- The Yacht Basin Fund budget was developed as status quo, as the City negotiates the terms and conditions of a long-term lease with a third-party to operate and redevelop the marina.
- The Fort Myers Country Club Golf Course Fund is generating sufficient revenues, and covering operations and maintenance costs, including debt service, even with incorporating increases in chemical costs as well as contract labor for course maintenance. The fund also covers bridge repairs and a replacement equipment lift. The total budget is \$2.7 million, and it does not require a General Fund subsidy.
- The Eastwood Golf Course Fund revenue budget of \$2.5 million anticipates the back nine holes re-opened for play on November 1st, after being closed for renovations since May 2022. The revenues provide for course operations, including debt service and equipment leases, and they take into consideration increases in costs due to inflation, for operating supplies and contract labor for course maintenance. No General Fund subsidy is required.
- Solid Waste service rates increase by 2% to begin to align with the year over year increases in the cost to provide the service, confirmed by the Solid Waste Revenue Sufficiency Analysis completed in FY2022. The Total Solid Waste Fund revenue budget is \$20.1 million, which provides for all operations, equipment, and capital needs.
- Building, Permitting and Plan Review fees, effective October 1, are no longer reduced. This is a change from FY2022 where those fees were reduced by 25%. The Total Building, Permits and Inspection (BPI) Fund revenues are \$4.3 million, and the use of its reserves of \$910,300 funds all BPI operations.
- The Capital plan includes consulting funds to begin the process of replacing the current ERP system. This next year, staff will be evaluating its current processes and strive to adopt best practices in preparation of vendor selection.

Infrastructure:

- The Street Maintenance Fund supports expenditures for street and traffic maintenance operations, as well as projects that were not able to be completed from prior year, including sidewalk replacement, traffic control devices, and guardrails. The City's allocation of the County's 6-cent fuel tax will be reduced effective January 1, 2023 from 10.67% to 8.49%. Thanks to an increase projected for the municipal shared revenue (8th cent tax), adding fuel tax recovery revenue previously reported in the General Fund and a favorable budget execution expected in FY2022, no General Fund subsidy is planned in FY2023.
- The Gas Tax Construction Fund, which consists of revenue from an allocation of the County's 5-cent tax on gasoline, funds street overlay, traffic calming, sidewalks, Hill Avenue shared use path, bridge repair, ADA-transportation retrofit, and traffic signal upgrades. Similar to the 6-cent fuel tax, the allocation from the County decreases January 1, 2023 from 10.67% to 8.49%.
- Funding to execute Infrastructure Capital Improvement Projects including:
 - Edison Realignment, Virginia, US41, Cortez
 - Edison Extension, Arcadia to Ortiz
 - Winkler Avenue Corridor Improvements, Metro to Colonial
 - Winkler Challenger Roundabout

I extend my appreciation to the budget staff and all City Departments for their dedication and hard work in developing this budget and their understanding of the challenges and the scarce resources available, even in the midst of high growth in the City. While not the ideal budget, it does position the City in forward motion to carry out its mission, which was recently revised to say: The City of Fort Myers is committed to providing exceptional municipal services to residents, businesses, and visitors, in a fiscally responsible manner, while preserving the City's rich history, diverse culture, and charming lifestyle.

Lastly, I especially want to thank City Council for their time and engagement in this process and the citizenry, which we are honored to serve.

Respectfully submitted,



Marty K. Lawing
City Manager

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