City Council Regular Meeting

Fiscal Year 2027 Budget Adoption

July 21, 2026

Fiscal Year 2027 Budget Adoption Key Dates

- ~~**June 2, 2026** – Draft Capital Improvement Plan Draft Discussion~~
- ~~**June 16, 2026** – City Council Budget Workshop~~
- ~~**July 1, 2026** – Property Appraiser Releases Taxable Values~~
- ~~**July 14, 2026** – Planning Commission CIP Sub-Committee Meeting~~
- **July 21, 2026** – Set Proposed Millage Rates (Operating & Voted Debt)
  Draft Budget Presentation to the City Council
- **August 18, 2026** – City Council Budget Workshop
- **September 14, 2026** – First Budget Hearing
- **September 28, 2026** – Final Budget Hearing – FY2027 Budget Adopted

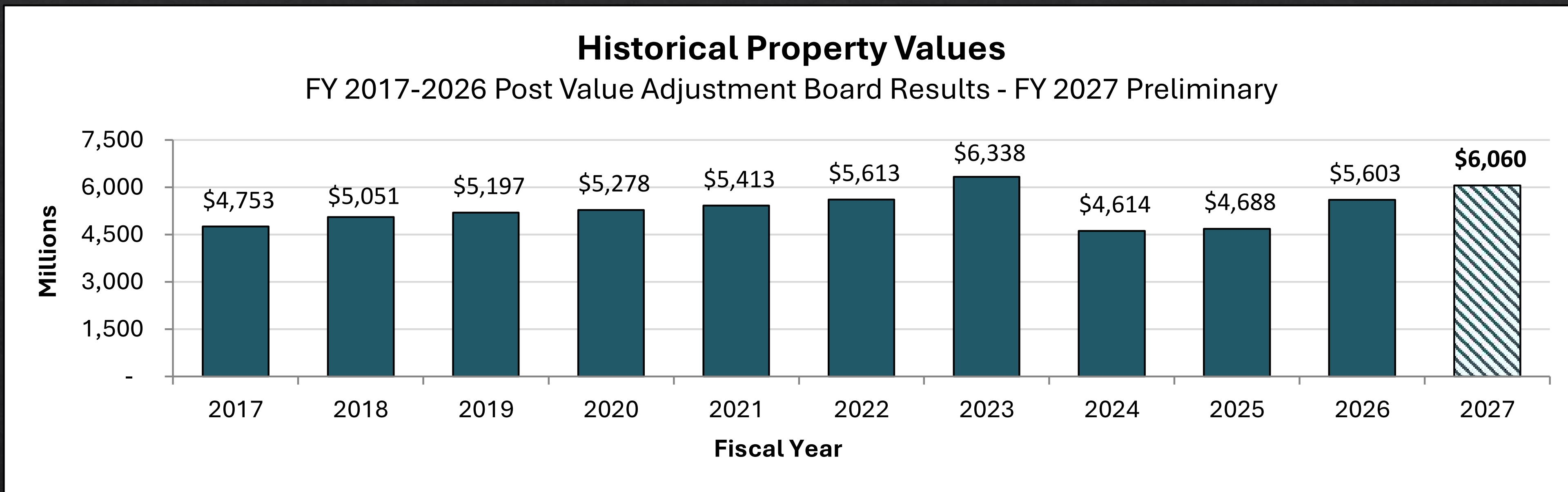
Agenda Overview

- The City is legally required to set a proposed operating millage by July 31 of each year
  - The rate approved today can be **decreased** as the Council moves through the budget process but **cannot be increased** from the rate set today
- Draft fiscal year 2027 operating and capital budget presented today to provide a framework to set operating millage
- Budget workshop scheduled on August 18, 2026 for further discussion

Taxable Property Values

- **$6,059,718,993 Preliminary Taxable Value**
  - Assessed by Property Appraiser as of July 1, 2026
  - Pre-storm (FY23) $6,357,621,055 – **↓4.69%**
  - Last year (FY26) $5,603,086,940 Post VAB – **↑8.15%**
  - At the same 2.5000 operating millage rate adopted in FY 2026
    - $14,694,819 in revenue (net 3.0% discount)
    - $1,019,764 additional ad valorem revenue into General Fund
  - **Any results of tax reform from the State referendum would not take effect until the City's fiscal year 2028**

Taxable Property Values



Operating Millage Rate

- Operating millage rate provides most of the funding for general government operations.
- **2.5000** millage rate adopted for fiscal year 2026 budget
  - Generated $13,664,432 in ad valorem tax revenue (net of discount)
- **2.5000** preliminary rate included in draft fiscal year 2027 budget
  - Would generate $14,694,819 million (net of discount)
- Rolled-back millage rate
  - **2.3384** mills – would generate $13,744,945 million (net of discount)
    - Calculation per the Department of Revenue and adjusted for new construction

Operating Millage Rate

- **Comparison to Hurricane Charley Millage**
  - 2004 – 1.7291 (Property value $4,000,193,070) – PRE-STORM
  - 2005 – 2.5000 (Property value $4,224,462,080) – 44.6% increase from PY
  - 2006 – 2.4000 (Property value $4,229,529,530)
  - 2007 – 2.5000 (Property value $4,957,185,155)
  - 2008 – 2.1966 (Property value $5,196,712,970)

- **Post Hurricane Ian Millage Rate**
  - 2023 – 1.9750 (Property value $6,357,621,055) – PRE-STORM
  - 2024 – 2.5000 (Property value $4,217,281,792) – 26.6% increase from PY
  - 2025 – 2.5000 (Property value $4,660,021,567)
  - 2026 – 2.5000 (Property value $5,634,817,483

Operating Millage Rate

- **Changes to TRIM law and Millage Rate Approval Thresholds**
  - Adoption of a rate more than the rolled-back rate requires super-majority vote
  - 4 of the 5 Councilmembers
- **Millage rate calculations and required votes**
  - Prior Year Adopted Rate 2.5000
  - Rolled-back Rate 2.3384
  - Current Year Draft Budget 2.5000
  - Maximum Voted Rate 2.3385 to 2.5722 (4/5 vote)
  - Unanimous Rate over 2.5723 (5/5 vote)
- **Voted Debt Service Millage**
  - Recreation Center Construction
    - 0.1000 mills in FY2027 compared to 0.1011 in FY2026

Fiscal Year 2027 Proposed Budget

	General	Special Revenue	Debt Service	Capital Project	Enterprise	FY2027
Beginning Fund Balance	$14,773,298	$43,864,840	$44,515	$1,311,153	$11,377,235	$71,371,041
Revenues						
Taxes	$15,904,819	–	$540,942	–	$0	$16,445,761
Licenses & Permits	$1,074,500	$1,634,975	–	–	$260,000	$2,969,475
Intergovernmental	$8,707,190	$156,369	$0	$42,878,640	$18,861,539	$70,603,738
Charges for Services	$5,001,592	$21,000	–	–	$11,928,078	$16,950,670
Fines & Forfeitures	$63,000	$52,500	–	–	$810,000	$925,500
Investment Earnings	$600,000	$553,342	$3,500	$80,500	$170,320	$1,407,662
Miscellaneous Revenue	$144,000	$145,650	$0	$0	$221,129	$510,779
REVENUES TOTAL	**$31,495,101**	**$2,563,836**	**$544,442**	**$42,959,140**	**$32,251,066**	**$109,813,585**
Other Revenues						
Transfers In	$1,617,745	$1,560,245	$425,000	$2,300,000	$0	$5,902,990
OTHER REVENUES TOTAL	**$1,617,745**	**$1,560,245**	**$425,000**	**$2,300,000**	**$0**	**$5,902,990**
Total Revenues	$33,112,846	$4,124,081	$969,442	$45,259,140	$32,251,066	$115,716,575
TOTAL SOURCES OF FUNDS	$47,886,144	$47,988,921	$1,013,957	$46,570,293	$43,628,301	$187,087,616

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Fiscal Year 2027 Proposed Budget

	General	Special Revenue	Debt Service	Capital Project	Enterprise	FY2027
Operating Expenditures						
Personnel	$15,151,254	$1,346,128	–	–	$5,655,046	$22,152,428
Operating	$11,104,897	$2,798,763	–	–	$7,942,346	$21,846,006
Grants & Assistance	$6,474,839	$15,000	–	–	$0	$6,489,839
OPERATING EXPENDITURES TOTAL	**$32,730,990**	**$4,159,891**	**–**	**–**	**$13,597,392**	**$50,488,273**
Other Expenditures						
Capital Outlay	$0	$0	–	$43,199,378	$18,107,789	$61,307,167
Reserves	$12,299,936	$61,265	–	–	$1,303,050	$13,664,251
Transfers	$1,985,245	$3,300,000	$0	$0	$617,745	$5,902,990
Debt Service	–	–	$972,852	–	$848,959	$1,821,811
OTHER EXPENDITURES TOTAL	**$14,285,181**	**$3,361,265**	**$972,852**	**$43,199,378**	**$20,877,543**	**$82,696,219**
Total Expenditures	$47,016,171	$7,521,156	$972,852	$43,199,378	$34,474,935	$133,184,492
Ending Fund Balance	$869,973	$40,467,765	$41,105	$3,370,915	$9,153,366	$53,903,124
TOTAL USES OF FUNDS	$47,886,144	$47,988,921	$1,013,957	$46,570,293	$43,628,301	$187,087,616

Fiscal Year 2027 Working Draft Operating Budget

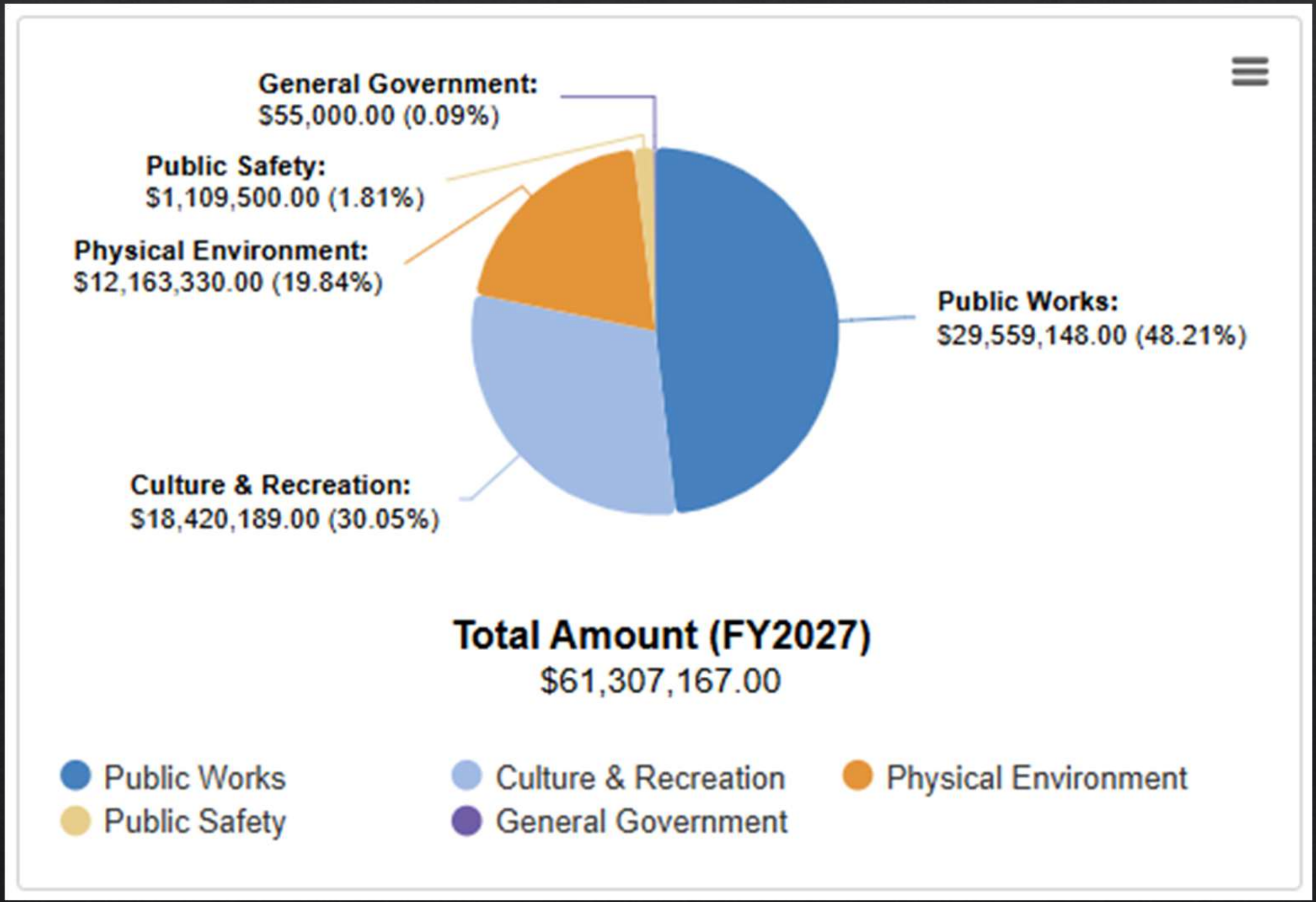
- **$43,998,434** draft FY 2027 operating budget (total city)
  - Emphasis on cost containment – "Holding the line"
    - Wage increases – included for Sworn Officers per written agreement (Year 2 of 3-year agreement)
    - Prior years do not include budgeted amounts for wage increases
    - Inflationary cost pressures
  - No change in staffing levels or authorized positions
    - Some authorized positions are not being budgeted
  - FY2026 operating budget adopted at **$44,727,497**

Fiscal Year 2027 Proposed Operating Budget

Fiscal Year	Adopted Budget	Budget in FY 2027 Dollars	Difference from Proposed FY 2027 Budget	Real Change
FY 2025	$43,835,511	$46,500,709	($2,502,275)	(5.38%)
FY 2026	$44,727,497	$46,382,414	($2,383,980)	(5.14%)
FY 2027 Proposed	-	$43,998,434	—	—

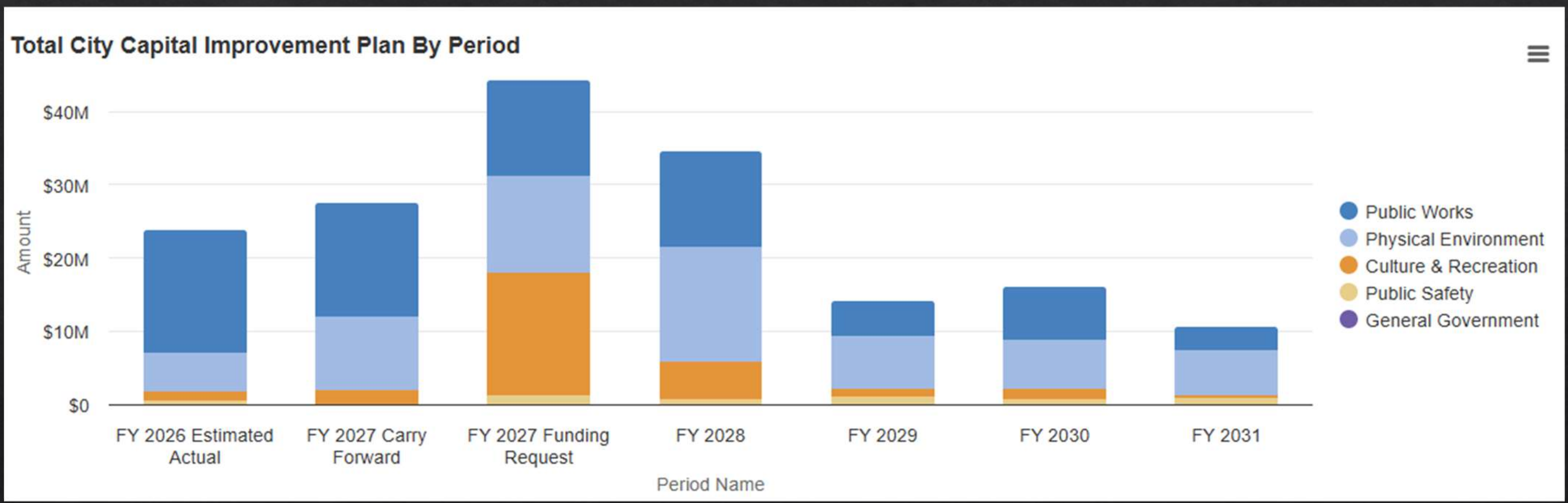
- The FY 2027 proposed operating budget is 0.4% higher than the FY 2025 budget in nominal dollars, but 5.38% lower after adjusting for inflation.
- The FY 2027 proposed operating budget is 1.6% lower than the FY 2026 budget in nominal dollars and 5.14% lower after adjusting for inflation.

Fiscal Year 2027 Proposed Capital Improvement Plan



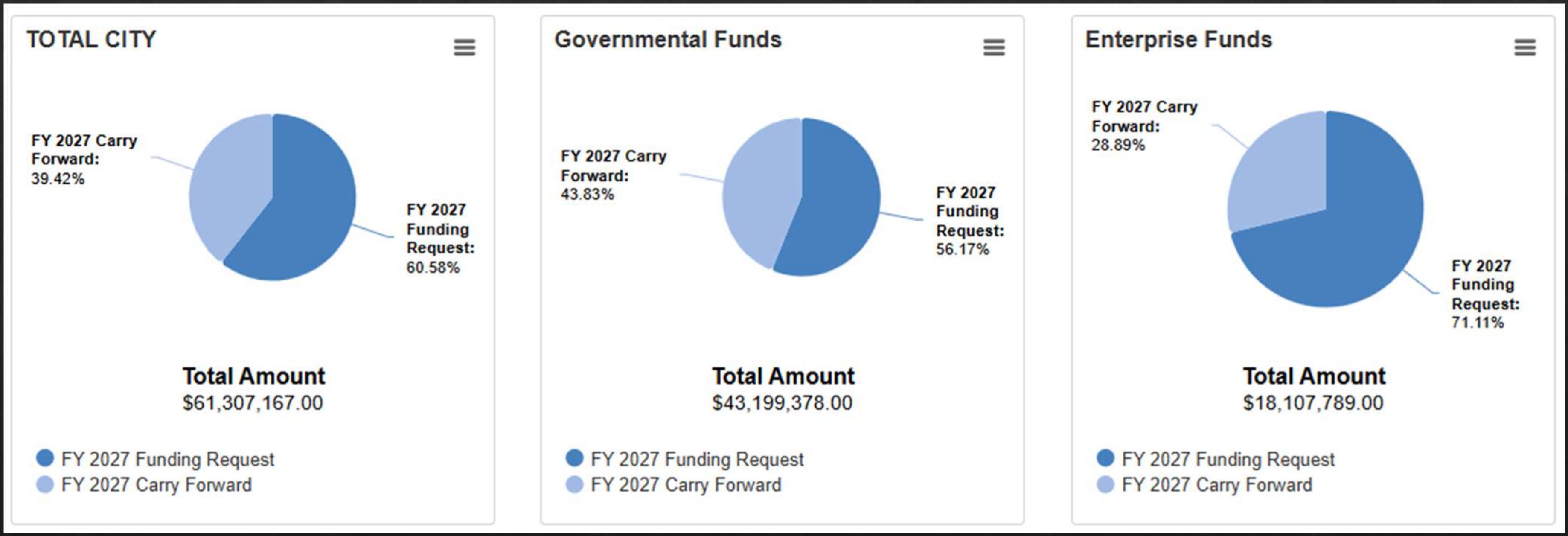
Fiscal Year 2027 Proposed Capital Improvement Plan

- Proposed Capital Budget: **$61,307,167** ($24,165,580 in funding carried forward from prior year)



Fiscal Year 2027 Proposed Capital Improvement Plan

- Expect a higher amount of FY26 funded CIP projects to be carried forward (or rolled forward) into FY27 as some of these projects have long construction timelines.



Fiscal Year 2027 Proposed Capital Improvement Plan

- CIP remains largely driven by grants from Local, State, and Federal sources
- **Staff will continue to evaluate revenue projections and financial impacts as updated property tax roll information becomes available.**
- The proposed FY27 capital projects are being presented to facilitate policy discussions and Stakeholder and City Council feedback prior to final budget development.
- Any necessary adjustments to proposed projects or funding strategies will be incorporated into subsequent budget discussions and the draft FY27 budget presentation at the August City Council budget workshop
- Maintaining flexibility within the current draft budget process is important to ensure long-term fiscal sustainability and alignment with City Council priorities.

Fiscal Year 2027 Proposed Capital Improvement Plan

- Hurricane Fund Projects that will be included in the draft FY27 budget are currently projected at lower funding levels compared to prior years due to uncertainty surrounding FEMA reimbursement amounts and project obligations.
- Staff is taking a conservative budgeting approach for hurricane-related projects as FEMA continues to reevaluate and, in many cases, reduce previously estimated Public Assistance damage reimbursement amounts.
- As FEMA formally obligates eligible projects and reimbursement levels are confirmed, staff will bring forward budget amendments for City Council consideration to appropriate additional funding as necessary. Future budget amendments may include adjustments to project scopes, timelines, or funding allocations based on finalized FEMA determinations.
- This phased budgeting approach is intended to reduce financial risk and ensure that expenditures align with verified FEMA reimbursement commitments.
- The City remains committed to advancing eligible recovery projects while maintaining prudent fiscal management amid evolving federal reimbursement reviews.

Fiscal Year 2027 Proposed Capital Improvement Plan

- CIP Line-item discussion
  - Recreation Center pool deck - $350,000
  - Recreation Center structural assessments
    - FY2026 $30,000 (estimated)
    - FY2027 $85,000
    - FY2028 $85,000
  - City Hall
    - $100,000 general repairs
    - $250,000 HVAC
  - Historical Village - $50,000
  - Shared-use paths
    - $1.25M State of Florida Appropriation included

Fiscal Year 2027 Proposed Capital Improvement Plan

- CIP Line-item discussion
  - Stormwater improvements - $500,000
  - Weir flap gate improvements - $600,000 State of Florida Appropriation
  - Clam Bayou box culvert - $4.9 million State Grant
- Tahiti-Jamaica/Tradewinds stormwater project
  - Funding not secured in 2026 cycle
  - $4.2M estimated project cost – delayed to FY2028 plan
- Sewer Utility System
  - Grant funded projects will be fully utilized after FY 2027
    - $1.0M force main improvements
    - $1.1M lift station control panel replacements
    - $4.3M Wastewater collection system repairs

Fiscal Year 2027 Proposed Capital Improvement Plan

- Beach Parking Enterprise Fund
  - Police Department - $380,000 for patrol boat
  - Public Works - $2.3M in TDC funding
    - Includes $2.1M for pier replacement ($250,000 is also included in budget for design (FY26/27) but this part of the project is City funded)
  - Lighthouse Beach Park maintenance building - $450,000
    - ~$100,000 insurance funding

Fiscal Year 2027 Proposed Capital Improvement Plan

- The **Recreation Center** is now approximately 20 years old and will require increased reinvestment and capital maintenance over the coming years to preserve facility quality and operations.
  - Remains one of the City's most popular and heavily utilized community amenities, making continued investment in the facility a long-term priority.
- Park and Recreation projects recommended by the Parks and Recreation Advisory Committee (PRAC) have been incorporated into the City's five-year Capital Improvement Plan for future consideration. These projects are noted in the CIP with [PRAC] beginning in fiscal year 2028.
- Staff recommends revisiting potential funding opportunities for PRAC projects following receipt of the preliminary taxable value estimates from the Lee County Property Appraiser.

Fiscal Year 2027 Proposed Budget

- Initiatives that are **not currently included** in the proposed FY27 budget but are recommended for future City Council discussion and prioritization.
  - Periwinkle Way Landscaping – Funded at $250,000 in FY26 for Causeway Blvd.
    - Additional discussion may be warranted regarding future phases, maintenance expectations, and long-term corridor beautification priorities.
  - The City Hall Native Garden Rehabilitation project was previously identified in the FY26 budget with planned funding targets of $100,000 in FY27 and $75,000 in FY28.
    - The project remains included in the City's five-year Capital Improvement Plan, with funding currently proposed in FY28 and FY29 rather than FY27.
    - With City Council support and direction, staff may evaluate opportunities for this project to be supported through donor contributions.

Fiscal Year 2027 Proposed Budget

- Initiatives that are **<u>not currently included</u>** in the proposed FY27 budget but are recommended for future City Council discussion and prioritization.
  - Town Center Planning – The City Council has expressed an interest in evaluating future Town Center improvements and long-term opportunities to develop a walkable center that could support events.
    - The City Council should discuss this initiative and provide staff with direction to fund planning efforts that would expand the R2P2 concept plans (Town Center to be discussed at the July City Council meeting).
    - If the City Council provides direction to create a Town Center Planning project, staff will estimate the cost for a subsequent discussion.

Fiscal Year 2027 Proposed Budget

- Initiatives that are **<u>not currently included</u>** in the proposed FY27 budget but are recommended for future City Council discussion and prioritization.
  - Expansion of Recreation Center operating hours
    - Peak season demand
    - Year-round demand
  - Coyote population study
  - Sea turtle nest protection (SCCF)

Fiscal Year 2027 Proposed Budget - Reserves

	ADOPTED BUDGET	PROPOSED BUDGET	CALCULATION	CALCULATION
	FY2026	**FY2027**	**$ Variance**	**% Variance**
Fund Reserves				
RESERVE FOR DEBT SERVICE	$737,500	$1,475,000	$737,500	100.0%
RESERVE FOR 17% CASH FLOW	$4,493,988	$4,297,511	($196,477)	(4.4%)
RESERVE FOR OPERATIONAL SUPPORT	$920,000	$991,740	$71,740	7.8%
RESERVE FOR DISASTERS	$6,900,000	$6,900,000	$0	0.0%
FUND RESERVES TOTAL	**$13,051,488**	**$13,664,251**	**$612,763**	**4.7%**
ENDING FUND BALANCES	$65,814,003	$53,903,124	($11,910,879)	(18.1%)
TOTAL	$78,865,491	$67,567,375	–	–

What's Next?

- **City Council Budget Workshop**
  - August 18, 2026 @ 5:30 p.m.
  - Departmental Budget Presentations
- **First Budget Hearing**
  - September 14, 2026 @ 5:30 p.m.
- **Final Budget Hearing**
  - September 28, 2026 @ 5:30 p.m.

Discussion