



# CITY OF MARCO ISLAND

To: Marco Island City Council

From: Casey Lucius, Assistant City Manager

Via: Mike McNees, City Manager and Melissa Hinton, Budget Manager

Date: August 25, 2025

Re: FY26 Budget Options

## Background

On August 4, 2025 City Council asked for an additional special meeting to better understand the spending cap required by City Charter. The special meeting was held on August 18, 2025 in which the spending cap calculation was provided and a new millage rate was calculated reducing the originally proposed millage from 1.6680 to 1.4611 and \$3,542,466 was cut from the FY26 budget. On August 18<sup>th</sup>, the new proposed millage was rejected, and another meeting was scheduled for August 25<sup>th</sup> to revise the budget.

## Summary of Budget Cuts:

|                                             |                        |
|---------------------------------------------|------------------------|
| 1.4611 mills (presented to Council on 8/18) | \$ 26,109,612.00       |
| 1.24 mills (requested by Council on 8/18)   | \$ 22,158,321.00       |
| Difference                                  | \$ 3,951,291.00        |
| LCEC revenue                                | \$ 1,529,827.00        |
| <b>Additional Cuts to FY26 General Fund</b> | <b>\$ 5,481,118.00</b> |

### Remove Infrastructure Maintenance:

|                   |                        |
|-------------------|------------------------|
| Road resurfacing  | \$ 1,000,000.00        |
| Swales/stormwater | \$ 700,000.00          |
| Median repairs    | \$ 300,000.00          |
| <b>Total:</b>     | <b>\$ 2,000,000.00</b> |

Remove New Operating Initiatives:

|                                |           |                   |
|--------------------------------|-----------|-------------------|
| Strategic Planning Facilitator | \$        | 50,000.00         |
| Laserfiche/records management  | \$        | 46,000.00         |
| Police AI and VR initiatives   | \$        | 19,021.00         |
| Code citation management       | \$        | 18,580.00         |
| <b>Total:</b>                  | <b>\$</b> | <b>133,601.00</b> |

Remove Capital Maintenance Items:

|                                    |           |                   |
|------------------------------------|-----------|-------------------|
| Mackle Park bollards               | \$        | 45,000.00         |
| Mackle Park blinds                 | \$        | 27,000.00         |
| Replace shrubs in medians          | \$        | 50,000.00         |
| Swale inlet screens                | \$        | 20,000.00         |
| Park benches/trash cans            | \$        | 15,000.00         |
| VCP electrical box                 | \$        | 10,000.00         |
| Mackle Park pavilion               | \$        | 33,000.00         |
| Drinking Fountain                  | \$        | 10,000.00         |
| Pedestrian Signals/traffic Signals | \$        | 20,000.00         |
| Roadway Striping                   | \$        | 80,000.00         |
| Marine signage/lighting            | \$        | 20,000.00         |
| <b>Total:</b>                      | <b>\$</b> | <b>330,000.00</b> |

Reduce General Government Items:

|                                                |           |                   |
|------------------------------------------------|-----------|-------------------|
| 3% general employee wage adjustment to 2%      | \$        | 75,199.00         |
| Cut each department travel budget in half      | \$        | 42,490.00         |
| Christmas decorations (BAC)                    | \$        | 15,000.00         |
| Tree City USA (BAC)                            | \$        | 30,000.00         |
| Second year of grant writing contract          | \$        | 75,000.00         |
| Unassigned contingency for general govt        | \$        | 130,000.00        |
| Salary adjustments (Finance Dir/Const Manager) | \$        | 101,000.00        |
| <b>Total:</b>                                  | <b>\$</b> | <b>468,689.00</b> |

Adjustments to Capital Asset Replacement Plan ("Buckets"):

|                                                               |           |                     |
|---------------------------------------------------------------|-----------|---------------------|
| Sweep residual project funds                                  | \$        | 196,316.00          |
| Swale Exfiltration (\$2.3M project; encumber \$620k for FY26) | \$        | 1,745,113.00        |
| <b>Total reallocated within Capital Fund:</b>                 | <b>\$</b> | <b>1,941,429.00</b> |

**Total of all above items: \$4,873,719**

In order to achieve a 1.2400 millage, an additional \$607,399 will need to be cut from the FY26 budget. Below are options for Council consideration, but not recommended by City staff. A millage of 1.2900 will raise an additional \$890,000 needed to fund these items.

Possible Budget Reductions:

|                                                         |           |                   |
|---------------------------------------------------------|-----------|-------------------|
| Winterberry Boardwalk (public safety)                   | \$        | 430,000.00        |
| ThorGuard upgrade (safety – lightning signal)           | \$        | 34,000.00         |
| Replace broken city owned sidewalks (safety)            | \$        | 20,000.00         |
| Replace broken streetlights (safety)                    | \$        | 48,000.00         |
| 2 new FTEs (Grants Acct*, Public Works Project Manager) | \$        | 229,018.00        |
| *recommended by the auditor                             |           |                   |
| <b>Total:</b>                                           | <b>\$</b> | <b>761,018.00</b> |

Possible Personnel Reductions:

|                                                     |           |                   |
|-----------------------------------------------------|-----------|-------------------|
| 2 MIPD Officers*                                    | \$        | 250,000.00        |
| 2 Code Enforcement*                                 | \$        | 74,000.00         |
| 2 Firefighters*                                     | \$        | 240,000.00        |
| *Police and Fire Chief can speak to service impacts |           |                   |
| <b>Total:</b>                                       | <b>\$</b> | <b>564,000.00</b> |

**Options for City Council:**

**1. Recommended: approve 1.29 millage**

The difference in revenue between 1.24 mills and 1.29 mills is approximately \$890,000, which would allow the City to fund items identified as “safety” items at \$532,000 and budget for two new FTEs (public works and grants accountant) at \$230,000.

**2. Keep millage at 1.24 but reconsideration of LCEC Franchise Fee**

The average Marco Island electric bill in July is \$184. A 3% franchise fee would add \$5.52 to that bill. This would raise \$1.5 million for the City to devote directly to Capital Improvements. The capital expenditures would not impact the spending cap and safety items would be included in the budget, and the annual Capital Replacement Program would be funded from a combination of State Gas Tax and LCEC Franchise Fee.

**3. Keep millage at 1.24 with significant additional cuts to the proposed City budget**

Reducing the millage to 1.24 from the proposed 1.4611 and the elimination of the LCEC fee is an additional reduction of revenue in the amount of \$5,481,118. All items listed

above would be cut from the FY26 budget including safety items (not personnel unless directed by City Council).

**4. City Council Identify “must keep” budget items and consider personnel reductions**

Police and Fire are the largest General Fund departments and make up 45% of the General Fund Budget. If the Council wishes to keep millage at 1.24 mills with no additional revenue, but keep specific items in the budget, personnel reductions would have to be made to cover the costs of “must keep” items.

**Next steps:**

City Council should discuss the above options and budget cuts and provide direction to the City staff regarding what should be eliminated from the budget and what millage rate is acceptable. On September 8th the City Council will vote on the Tentative Millage Rate and FY26 Budget based on this direction. The full operating and capital budgets will be attached as well as the City’s spending cap calculation. In order to not exceed the spending cap, the State Fuel Tax (\$1.1M) will be dedicated directly to the Capital Fund instead of being processed through the General Fund operating budget. This structure and dedication of revenue will be presented to the Council in a Resolution on September 8, 2025, unless otherwise directed.