City of Clearwater

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August 6, 2026

TO: Honorable Mayor and Members of the City Council
City of Clearwater, Florida

FROM: Jennifer Poirrier
City Manager

SUBJECT: Fiscal Year 2028 & 2029 Contingency Budget Planning

In response to council direction, I have asked our leadership team to begin forecasting and contingency planning for our fiscal year 2028 and 2029 budgets to assess the potential impacts of the proposed 2026 Florida Property Tax Amendment 3 (CS/HJR 1F) on the City's General Fund. This proactive effort will position the City to respond effectively to changing fiscal conditions while continuing to provide sustainable, cost-effective municipal services.

As of the date of this memorandum, the Pinellas County Property Appraiser's Office has projected the city of Clearwater would receive approximately $12,381,656 less in Ad Valorem revenue in the first year (FY2028), and $7,869,986 less in Ad Valorem revenue in the second year (FY2029) from implementation of CS/HJR 1F. Ad Valorem revenues remain the largest source of General Fund revenue, representing approximately 45.97% of the city's General Fund, totaling $105,652,010 for Fiscal Year 2027.

This approach of contingency planning incorporates the council direction and prioritization of key service area funding from our FY27 Annual Strategic Planning Sessions held on February 9 and March 4, 2026, as well as public feedback of preferred service area funding from our community budget event held on August 1, 2026.

Furthermore, for purposes of identifying the public services, projects, and program offerings that would be reduced or discontinued as necessary to meet the estimated impacts to Ad Valorem revenues, I have worked with our team to prepare a contingency plan that strives to minimize impacts to existing service levels and employees. As our leadership team continues to provide for budget contingency planning following council direction, Staff also continues to remain aware of and conservatively forecast impacts to Ad Valorem funding that are realized to other public agencies that the city of Clearwater receives governmental revenues from (i.e. Fire & EMS Tax, Pinellas Public Library Cooperative Funding).

Our priority is to maintain the high quality of essential programs and existing facilities; those that provide for public safety, critical infrastructure, and the administration of mandated core government services, while preserving quality-of-life programs including recreation and educational offerings enjoyed by our community, residents, and visitors. As we look ahead to Fiscal Year 2027, staff have identified the following reductions that may be necessary in the FY2028 and FY2029 Annual Operating and Capital Improvement Budgets:

Year 1 (FY2028) Total Impacts: A reduction of $13,476,698 and 75.4 Full Time Equivalent (FTE) Positions.
Year 2 (FY2029) Total Impacts: A reduction of $6,580,773 and 63.7 Full Time Equivalent (FTE) Positions.

As further summarized in detail:

<u>Year 1 Total Identified Impacts (Fiscal Year 2028):</u>

1. **An annual reduction of $4,597,068 in the operating budget of departments funded by General Fund:**

This reduction represents decreases in operating costs for select city operations. A portion of this total represents savings where departments have realized efficiency gains due to completed projects, new technology initiatives, and reorganization efforts. Also included are budgetary reductions that result in decreases and/or elimination of existing services or program offerings, resulting in the following impacts:

- Reduction to the Library Department's operating budget: elimination of Beach Branch physical materials, reduction in the annual physical materials budget for the Main Library, and a reduction to contractual services for community programs, library technology, and third-party services with contractors that provide program support.
- Reduction to the Parks & Recreation Department's operating budget: reduction of contractor support and marketing for special events, reduction of third-party custodial services at recreation centers, reduction in citywide landscape maintenance and beautification efforts, reduction of irrigation to one day per week, and the elimination of a 1% Art fee applied to city projects over $500,000.
- Reduction to the Planning & Development Department's operating budget: elimination of budgeted property maintenance for private property abatements due to non-compliant cases of code violations.
- Reduction to the Police Department's operating budget: a reduction in the annual technology budgets for tools that support investigative assistance and police report writing.
- Reduction to the Public Communication Department's operating budget: reduction of the Neighborhood's Day grant funding, which directly supports eligible neighborhood associations.
- Reduction to the Public Works Department's operating budget: reduction to citywide palm pruning and maintenance.

2. **A reduction of $117,016 to annually funded capital projects from General Fund revenues:**
   - Future funding of $45,000 will be reduced annually from Projects #93534 (Library FF&E) and #94861 (Library Technology) based on updated replacement schedules and revised long-term funding needs.
   - Future funding of $39,216 will be reduced annually from Projects M2005 (Fire Training Tower) and M2507 (Fire Equipment Replacement) to reflect revised funding requirements for future replacement needs.
   - Future funding of $32,000 will be reduced annually from Project P1802 (Police Equipment) to reflect revised funding requirements for future replacement needs.
   - Future funding of $800 will be reduced annually from Project M2613 (Sustainability Reinvestment Fund) due to planned reductions in future funding requirements.

3. **An annual reduction of $115,000 in contributions to third-party organizations:**

This represents a decrease in funding for third-party organizations, which may require the renegotiation of existing agreements:

- Elimination of annually funded Grants and Aids for the Clearwater Historical Society of $25,000.
- An elimination of the annual building and maintenance support for the Wood Valley and Kings Highway recreation facilities of $65,000.
- An elimination of the annual payment to Keep Pinellas Beautiful of $25,000.

4. An annual reduction of $7,073,814 in the personnel budget of departments funded by General Fund: Where possible, the position reductions outlined below prioritize currently vacant positions. A hiring freeze has been implemented to preserve flexibility and maximize opportunities to achieve these reductions through attrition, minimizing impacts on the current workforce.

- A decrease of approximately 35.4 FTE positions in the Parks & Recreation Department due to the reduction of landscaping maintenance frequency at citywide parks and athletic fields, a reduction of operating hours and program offerings at each recreation facility and select athletics programs, transition of operation for the McMullen Tennis Complex to a third-party operator, and the reduction of select administrative staff.
- A decrease of approximately 16.5 FTE positions in the Library Department due to the elimination of select positions that are currently vacant, a reduction of select part-time and variable personnel, a reduction of programs, operating hours and reference services at the Main Library, a reduction of the materials budget for the Main Library, and the closure of the Beach Library branch.
- A decrease of 10.0 FTE positions in the Police Department which includes a grant manager, sergeant and eight officers, all of which are currently vacant. The inability to fill these positions will result in a pivot from a proactive crime fighting posture to a more reactive model which may result in increased response times, a reduction in proactivity, and increased crime rates. Additionally, this may negatively impact recruiting and retention efforts in an already challenging environment.
- A decrease of 6.0 FTE positions in the Public Works Department due to a reduction in right-of-way professional and maintenance staff, engineering project supervision and inspection staff, and a reduction in the city's environmental, resiliency, and sustainability program.
- A decrease of approximately 3.5 FTE positions in the City Clerk's Office, City Manager's Office, and Finance Department for the reduction of select administrative staff.
- A decrease of 3.0 FTE positions in the Fire Department for the reduction of select logistics and administrative staff, and elimination of a vacant fire inspector position.
- A decrease of 1.0 FTE position in the Planning & Development Department elimination of a Code Compliance Inspector position which will impact responsiveness to resident requests and reduce capacity in enforcing short term rental regulations.

5. **A projection of $1,573,800 in opportunities for revenue enhancement for services funded by General Fund revenues:**
   - An increase to the annual budgeted amount for Fire Reimbursements, EMS Reimbursements, and Fire Inspection Fees of $127,500. This amount accurately represents the average of actual revenues received in prior fiscal years.
   - Staff recommends eliminating the City's practice of paying credit card processing fees for Planning & Development Department transactions. This change is expected to reduce City expenditures by approximately $160,000 annually. This recommendation is part of a citywide effort to standardize how credit card processing fees are handled across all departments. Under this approach, customers who choose to pay by credit card will be responsible for the associated processing fee, rather than the City absorbing the cost. Standardizing this practice will provide a more consistent and equitable customer experience across all City services
   - The renegotiation of the Venue Operator Agreement for ticket revenue sharing at The Sound. The amount utilized for a nonbinding projection of additional revenue is a minimum of $272,000 annually.
   - The institution of an annual service fee for recreation co-sponsor groups that utilize city facilities at the rate of $50 to $100 per person, which is estimated to result in $117,300 of additional revenue based on current usage.
   - The institution of a rental fee for non-profit and partner agencies for the use of city facilities, which is estimated to result in $94,000 of additional revenue based on current usage.
   - The institution of a ticket fee ranging from $5 to $10 per person to attend Parks and Recreation sponsored events, which is estimated to result in $30,000 of additional revenue based on current usage.
   - The elimination of reduced rates for city facility rentals that occur during open recreation facility hours, which is estimated to result in $50,000 of additional revenue based on current usage.
   - An increase in the daily rental fee for Coachman Park from $1,000 to $2,500, which is estimated to result in $15,000 of additional revenue based on current usage.
   - An increase in price of retail items at the Pier 60 Bait House, which is estimated to result in $185,000 of additional revenue based on current sales volume.
   - An increase in the turnstile fee to utilize the Pier 60 fishing area from $3 to $5 (excluding Children), which is estimated to result in $40,000 of additional revenue based on current patron volume.
   - An increase in the annual non-resident recreation card rate from $180 per person to $200 per person, which is estimated to result in $60,000 of additional revenue based on current usage.
   - An increase in the annual resident recreation card rate from $7 per person to $20 per person, which is estimated to result in $65,000 of additional revenue based on current usage.
   - An increase in the annual recreation plus pass fee from $120 to $240, which is estimated to result in $300,000 of additional revenue based on current usage.
   - An increase in the charge for swim lessons from $10 per lesson to $25 per lesson, which is estimated to result in $38,000 of additional revenue based on current usage.
   - An increase in the hourly rental fee of all city ballfields by $5 per hour, which is estimated to result in $20,000 of additional revenue based on current usage.

<u>Year 2 Total Identified Impacts (Fiscal Year 2029):</u>

1. **An annual reduction of $267,214 in the operating budget of departments funded by General Fund:**

This reduction represents decreases to operating costs for select city operations. A portion of this total represents savings where departments have realized efficiency gains due to completed projects, new technology initiatives, and reorganization efforts. Also included are budgetary reductions that result in decreases and/or elimination of existing services or program offerings, resulting to the following impacts:

- Reduction to the City Manager's Office operating budget: elimination of the Public Art Grant Fund.
- Reduction to the Library Department's operating budget: an additional reduction in the annual physical materials budget for the Main Library, and reduction of systemwide digital materials budget.

2. **An annual reduction of $5,518,559 in the personnel budget of departments funded by General Fund:**
   - A decrease of approximately 20.7 FTE positions in the Parks & Recreation Department due to the reduction in frequency of parks and landscaping maintenance in the downtown core and beach zones, closure of the Clearwater Beach Recreation Center, and the closure of an additional recreation center to be determined later.
   - A decrease of approximately 17.7 FTE positions in the Police Department which include reduction to facility aids which support Coachman Park, reduction of telephone reporting unit staff, the elimination of a victim advocate position, and a decrease in funding to the police aides program, and a reduction in select administrative and civilian investigative staff. These eliminations result in the transfer of some responsibilities back to sworn personnel which ultimately impact crime-solving and proactive capacity.
   - A decrease of approximately 17.3 FTE positions in the Library Department due to the further reduction of the materials budget for the Main Library, a reduction to youth program services at the Main Library, and the closure of an additional library branch to be determined later.
   - A decrease of 6.0 FTE positions in the City Manager's Office, Economic Development & Housing Department, Human Resources Department, and Public Communications Department for the reduction of select administrative staff.
   - A decrease of 2.0 FTE positions in the Planning & Development Department for the elimination of a customer service representative position which could diminish personalized assistance for walk-in visitors, and the elimination a planner position in the long-range planning division would limit the department's ability to proactively update policies, plans and land development regulations, and reduce coordination and special neighborhood planning efforts.

3. **A projection of $50,000 in increased opportunities for revenue enhancement for services funded by General Fund:**
   - The elimination of discounted rates for families who elect to pay the entire amount of summer camps at recreation facilities, which is estimated to result in $50,000 of additional revenue based on current usage.

4. **Additional Reductions of $745,000 identified for the six-year capital plan of projects funded by General Fund:**

The following recommendations for reduction or elimination of funding for capital improvement projects are identified as those receiving funding on a nonrecurring annual basis, or whose amounts are reduced to provide a conservative estimate in the final contingency planning for financial impacts to the City's General Fund:

- Future funding will be eliminated from Project #C2704 (Stevenson Creek) resulting in the cancellation of planned site improvements. The estimated reduction utilized for budgetary contingency planning is $500,000 which is the annual proposed project contribution.
- Future General Fund revenue will be eliminated from Project #C2703 (East Clearwater Resiliency) resulting in the elimination of planned roadway improvements (leaving only stormwater improvement funding). The estimated reduction utilized for budgetary contingency planning is $245,000 which is the annual proposed project contribution.

The service reductions outlined in this memorandum are presented solely as contingency planning measures in anticipation of the potential fiscal impacts associated with proposed Amendment 3. Should the council elect not to implement corresponding expenditure reductions during the impacted fiscal years to public services and programs, an increase in the City's millage rate of approximately 0.72 mills would be required to offset the estimated $12.4 million reduction in Ad Valorem revenue projected during the first fiscal year, followed by an additional 0.49 mill increase the second fiscal year following implementation of CS/HJR 1F.

While the ultimate fiscal impact will depend on the final language, implementation, and voter approval of Amendment 3, proactive planning is essential to ensure the City's long-term financial stability and continued ability to deliver sustainable and cost-effective municipal services. This analysis is intended to inform policy discussions and provide the City Council with a clear understanding of the available options and their associated financial implications.

Respectfully submitted,

Jennifer Poirier

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City Manager