

City of Punta Gorda

LONG RANGE FINANCIAL PLAN

Fiscal Years 2020-2024



Punta Gorda

FLORIDA

In January 2008, the City published its first Business Plan which incorporated economic and financial strategies and key performance measures into a single document. In order to augment the financial strategy component of the Plan, a long-range financial plan was developed in January 2009 to assist management in the planning and allocation of resources to achieve City Council's goal of maintaining fiscally responsible decision making within all sectors of the organization. The Plan provided the organization with an opportunity to change or influence current policies and practices before they created critical fiscal strains on the budgetary fabric.

The Fiscal Years 2020-2024 Long Range Financial Plan presents multi-year fiscal forecasts for the City's major fund groups. In addition, the Plan discusses the update to the Strategic Plan process in FY 2020, any changes proposed to financial policies, and budget issues or items currently known for the upcoming budget year. This will allow for a starting point of discussion and direction in developing the FY 2021 budget while providing a context of how it might affect the future years' forecasts. The Plan is shown in the following format:

Section 1: Major Fund Five-Year Fiscal Forecasts

Section 2: Strategic Plan Process Update

Section 3: Proposed Financial Policy Change

Section 4: Budget Issues

Section 1: Major Fund Five-Year Fiscal Forecasts

Core Level of Service Comparative Analysis

In order to set the stage for review of the City’s major fund five-year fiscal forecasts, staff undertook an analysis how Punta Gorda compares with surrounding jurisdictions in delivering core services in January 2020. The charts below provide a benchmarking analysis of costs to deliver core level of services for eight Southwest Florida municipalities. Services compared include those paid for by property taxes, fees/assessments (sanitation, fire, roads/drainage/stormwater, debt service) and average water/sewer bill.

The fact that the order may be different is due to service costs being based on flat rate or taxable assessed value which may change the total. Punta Gorda remains competitive with surrounding Southwest Florida municipalities for delivery of its core services.

Basic Tax Fee Comparison Single Family Residential

based on taxable value of \$100,000

	Naples	Bonita Springs	Punta Gorda	Venice	Sarasota	North Port	Cape Coral	Fort Myers
Property Taxes	\$ 118.00	\$ 81.73	\$ 343.37	\$ 370.00	\$ 326.32	\$ 387.35	\$ 664.26	\$ 825.00
Water & Sewer	\$ 65.37	\$ 92.95	\$ 76.94	\$ 149.89	\$ 115.66	\$ 129.32	\$ 130.27	\$ 162.90
Sanitation (Solid Waste)	\$ 286.68	\$ 230.48	\$ 271.44	\$ 262.44	\$ 294.60	\$ 245.00	\$ 199.59	\$ 228.96
Fire Service		\$ 226.00			\$ 141.40	\$ 195.66	\$ 198.86	\$ 77.91
Roads/Drainage/Stormwater	\$ 167.16	\$ 50.00				\$ 217.56	\$ 119.00	\$ 96.16
Debt Service				\$ 62.00	\$ 23.39		\$ 6.00	
TOTAL	\$ 637.21	\$ 681.16	\$ 691.75	\$ 844.33	\$ 901.37	\$ 1,174.89	\$ 1,317.98	\$ 1,390.93

based on taxable value of \$250,000

	Naples	Bonita Springs	Punta Gorda	Sarasota	Venice	North Port	Cape Coral	Fort Myers
Property Taxes	\$ 295.00	\$ 204.33	\$ 858.43	\$ 815.80	\$ 925.00	\$ 968.38	\$ 1,660.65	\$ 2,062.50
Water & Sewer	\$ 65.37	\$ 92.95	\$ 76.94	\$ 115.66	\$ 149.89	\$ 129.32	\$ 130.27	\$ 162.90
Sanitation (Solid Waste)	\$ 286.68	\$ 230.48	\$ 271.44	\$ 294.60	\$ 262.44	\$ 245.00	\$ 199.59	\$ 228.96
Fire Service		\$ 565.00		\$ 141.40		\$ 360.66	\$ 276.26	\$ 77.91
Roads/Drainage/Stormwater	\$ 167.16	\$ 50.00				\$ 217.56	\$ 119.00	\$ 96.16
Debt Service				\$ 58.48	\$ 155.00		\$ 15.00	
TOTAL	\$ 814.21	\$ 1,142.76	\$ 1,206.81	\$ 1,425.94	\$ 1,492.33	\$ 1,920.92	\$ 2,400.77	\$ 2,628.43

General Fund

Some of the service level enhancements approved by City Council for FY 2020 included the following:

- Public Safety - additional dispatcher; creation of a community engagement program which necessitated the addition of a sworn officer and the reclassification of the employee development coordinator to a new civilian position; approval to move forward with a body camera program for sworn police personnel, addition of a fire/EMS training chief to focus on high risk job functions; and finalization of the both the police officers and fire bargaining units contracts.
- Engineering – increase of engineering technician (split 50% with Building Fund) to redistribute duties that were picked up by project managers in FY 2014 when the full-time position was eliminated but cannot be sustained with current approved project levels.
- Information Technology – overall increase of 19% for added computer support specialist, addition of electronic timekeeping, expansion of GIS technology, and various other technology upgrades.

The FY 2020 budget five year fiscal forecast includes the following assumptions: a millage of 3.4337 to cover the on-going service level enhancements approved for FY 2020, modest anticipated increases of 6% in taxable property valuations, 2% to 3% increases in shared state revenues and other general fund revenues, 4% merit wage increases, 6% increases for health insurance, 10% increases for workers compensation, 5% increases for pensions and general liability insurance, 3% increases in all other operating expenditures, capital outlay at \$740,000 per year, and transfers per five year capital improvements plan. The City then focuses on a two-year decision plan based on these current assumptions. As a result, the financial plan has been developed to eliminate any estimated gap in FY 2020 and FY 2021 and to initiate planning for future years' budgets. The fiscal forecast projects deficits in the range of approximately \$.4 million per year from FY 2021 through FY 2024.

General Fund Proforma Schedule of Revenues and Expenditures Budget FY 2020 through Proforma FY 2024

	Budget FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024
Change in Taxable Value of Property	7.1%	6%	6%	6%	6%
Revenues:					
Ad Valorem Tax	\$10,971,580	\$11,629,875	\$12,327,667	\$13,067,327	\$13,851,367
Other Revenue	20,111,922	11,890,590	12,056,423	12,225,033	12,396,480
Use of Prior Year's Reserve	192,092	387,300	0	0	0
Total Revenues	31,275,594	23,907,765	24,384,090	25,292,360	26,247,847
Expenditures:					
Personnel Expenditures	15,526,062	16,193,551	17,902,059	17,644,970	18,424,098
Operating Expenditures	4,813,951	5,140,911	5,260,548	5,415,125	5,574,808
Capital Outlay	870,250	740,000	740,000	740,000	740,000
Transfers to other Funds	8,237,000	0	0	0	0
Transfers for Tax Increment Financing	749,331	779,303	810,474	842,897	876,613
Transfers for Capital Projects	305,000	280,000	280,000	280,000	280,000
Transfers for Roads	459,000	459,000	459,000	459,000	459,000
Transfers for Drainage	300,000	300,000	300,000	300,000	300,000
Contingency	15,000	15,000	15,000	15,000	15,000
Total General Expenditures	31,275,594	23,907,765	24,767,081	25,696,992	26,669,519
Expenditures in Excess of Revenue	\$0	\$0	(\$382,991)	(\$404,632)	(\$421,672)
Minimum Reserve (8.5% to 10.5% plus \$120,460)	\$2,089,460	\$2,273,000	\$2,474,000	\$2,691,000	\$2,921,000

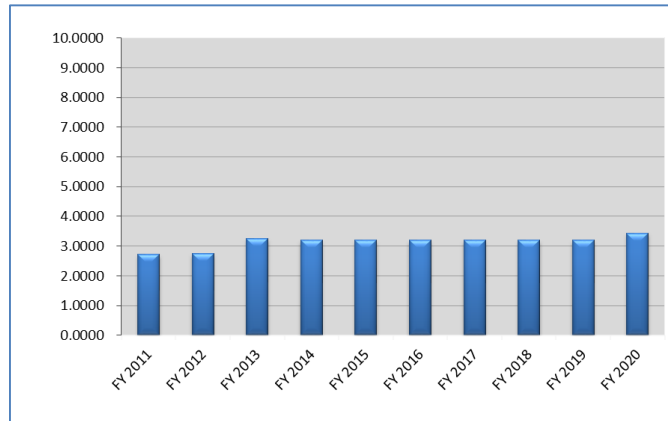
Millage and Taxable Assessed Value

The FY 2020 millage rate of 3.4337 mills is 12.5% over the rolled back rate of 3.0521. The calculated rolled back rate results in the same property tax revenues, sans new construction, as the previous year. This is the first increase in the millage rate since FY 2013. Included in the millage rate is \$459,000 earmarked for the road resurfacing program and \$300,000 for the city-wide drainage improvement program. The increase was necessitated by approved changes to staffing and on-going expenditures while still continuing to work towards the City's policy of on-going revenues covering on-going expenditures and that available reserves only be used for one-time expenditures.

Property Tax Millage Rates Fiscal Years 2011 - Budget 2020

A mill is equal to one dollar of tax for each \$1,000 of taxable value. Florida Statutes caps the millage rate at 10 mills.

Fiscal Year	Millage Rate
2011	2.7251
2012	2.7462
2013	3.2462
2014	3.1969
2015	3.1969
2016	3.1969
2017	3.1969
2018	3.1969
2019	3.1969
2020	3.4337

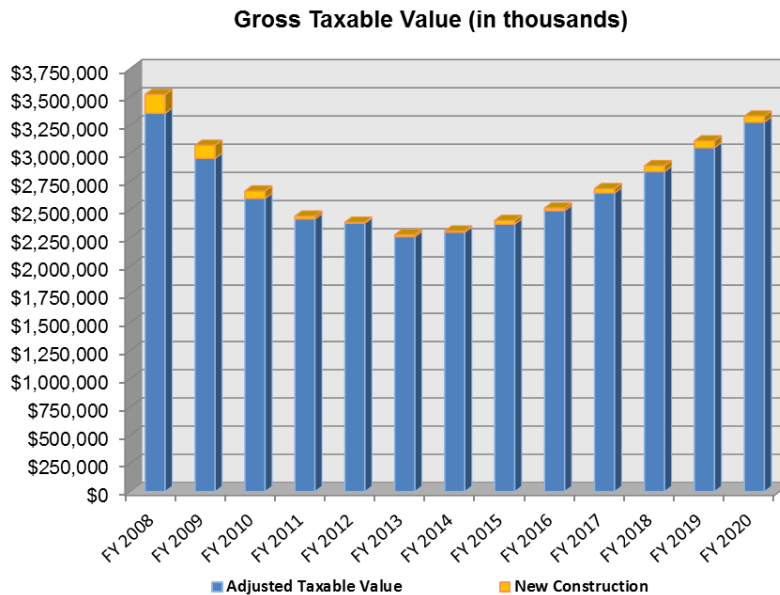


*A mill is equal to one dollar of tax for each \$1,000 of taxable value.
Florida Statutes caps the millage rate at 10 mills.*

History of Taxable Property Values

Fiscal Year	Final Gross Taxable Value*	\$ Change from Previous Year	% Change from Previous Year	New Construction	% of Previous Year Gross Taxable Value
2008	\$3,496,182,626	-\$19,378,360	-0.6%	\$168,546,000	4.8%
2009	\$3,062,265,808	-\$433,916,818	-12.4%	\$115,280,000	3.3%
2010	\$2,646,132,752	-\$416,133,056	-13.6%	\$65,914,000	2.2%
2011	\$2,447,711,910	-\$198,420,842	-7.5%	\$24,317,000	0.9%
2012	\$2,367,768,124	-\$79,943,786	-3.3%	\$7,854,000	0.3%
2013	\$2,270,096,296	-\$97,671,828	-4.1%	\$16,856,000	0.7%
2014	\$2,308,224,076	\$38,127,780	1.7%	\$9,890,893	0.4%
2015	\$2,398,248,062	\$90,023,986	3.9%	\$32,800,312	1.4%
2016	\$2,513,363,249	\$115,115,187	4.8%	\$23,895,443	1.0%
2017	\$2,685,303,159	\$171,939,910	6.8%	\$38,357,930	1.5%
2018	\$2,887,855,644	\$202,552,485	7.5%	\$50,549,762	1.9%
2019	\$3,108,678,379	\$220,822,735	7.6%	\$60,086,894	2.1%
2020	\$3,328,401,238	\$219,722,859	7.1%	\$54,169,154	1.7%

*Includes New Construction



Gross Taxable Value (in thousands)

The Charlotte County Appraiser’s July 1st certification shows a 5.3% overall increase for properties on the books from the prior year, and an additional 1.8% provided by new construction, annexations and changes in exemption for calendar year 2018. This is the seventh straight year that property values increased in the City after 6 consecutive years of declining values (35% decrease from FY 2007 to FY 2013). The net effect of property value changes over the past thirteen years is a cumulative 4.8% decrease in taxable values. In previous years, the protection of Save Our Homes resulted in a majority of homestead property taxable values being below just values. Due to increasing property values, the number of homestead properties at parity (market or just value equaling assessed value) decreased significantly since FY 2013.

Fund Balance

In January 2016, upon review of Long Range Financial Plan, City Council approved updates to the comprehensive set of financial management policies. The following specifically address fund balance or reserve objectives.

- An adequate level of unrestricted fund balance will be maintained so credit rating agencies will recognize the City is in sound financial condition when they evaluate the City’s credit worthiness.
- The City will strive to follow the GFOA recommendation for a minimum level of unrestricted fund balance for the General Fund. The GFOA states the unrestricted fund balance for the General Fund should be a minimum of 2 months of operating expenditures, or 16.67%.
- For the General Fund and all other operating funds, except the Utilities Fund, the City will establish an unassigned fund balance minimum of 8.5% of total fund expenditures plus \$120,460 from health insurance savings as approved in September 2019. (Note: It is intended that this percentage increase each year and eventually attain the GFOA best practice standard.)
- The City should have a prudent level of unrestricted fund balance to protect against the need to reduce service levels or raise taxes and fees due to temporary revenue shortfalls or unexpected one time expenditures.

- The City should maintain an adequate level of unrestricted fund balance as working capital to support operations until sufficient current revenues (taxes) are received.
- The City will provide a Capital Outlay Reserve based on the 5 year capital outlay program needs, and will fund the average annualized 5 year need, in order to provide a stabilized funding plan.

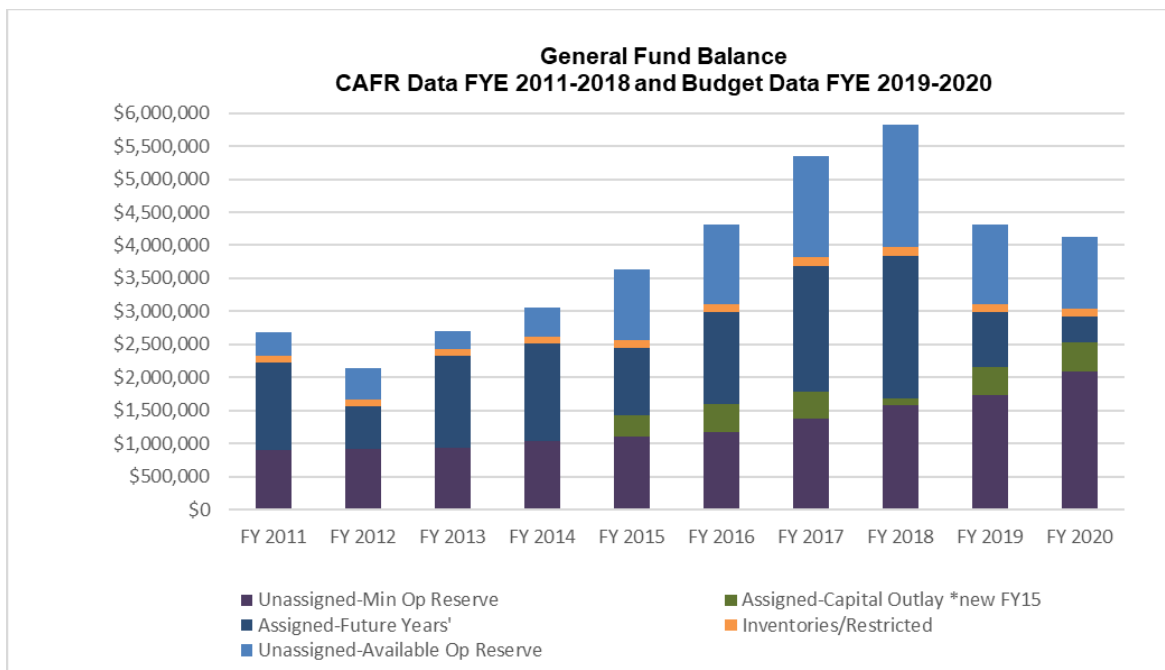
Beginning in FY 2007, the City earmarked a portion of reserves over the minimum policy to assist in paying for ongoing levels of service until such time as the economy fully rebounds. FY 2020 continues this practice.

**Analysis of General Fund Balance
as a Percentage of General Fund Expenditures
at Fiscal Year End**

Fund Balance Category	FY 2017 Amount	% of Exp.	FY 2018 Amount	% of Exp.	Projected FY 2019 Amount	% of Exp.	Budget FY 2020 Amount	% of Exp.
Inventories/Restricted	\$ 136,582	0.8%	\$ 126,529	0.6%	\$ 125,000	0.6%	\$ 125,000	0.5%
Assigned-Future Years' Use of Op. Reserve	1,908,690	9.9%	2,166,590	10.3%	825,130	3.8%	387,300	1.7%
Assigned-Capital Outlay Reserve	409,505	2.1%	104,000	0.5%	440,000	2.0%	440,000	1.9%
Unassigned-Minimum Op. Reserve (Orig)	1,372,000	7.2%	1,575,000	7.5%	1,725,000	8.0%	2,089,460	9.1%
Unassigned-Available Op. Reserve	1,524,556	7.9%	1,859,295	8.9%	1,199,437	5.6%	1,080,715	4.7%
Total Fund Balance	\$ 5,351,333	27.9%	\$ 5,831,414	27.8%	\$ 4,314,567	20.0%	\$ 4,122,475	17.9%
General Fund Orig Budgeted Expenditures	\$ 19,185,943		\$ 20,989,827		\$ 21,556,198		\$ 23,038,594 *	

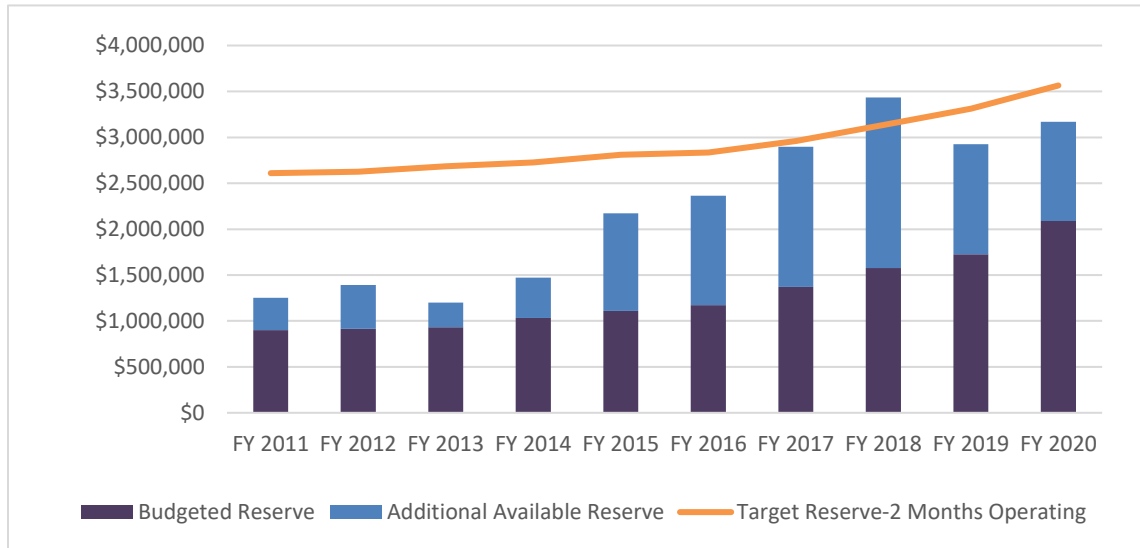
*FY 2020 Budgeted Expenditures excludes transfer of loan draw to PGI Canal Maintenance Fund

The following graph presents the general fund balance trend information. The minimum operating reserve is regulated by the City's financial policy. For fiscal year 2020 it is set at 8.5% of the total expenditure appropriations (excluding a loan draw transfer to PGI Canal Maintenance fund) for the general fund, which calculates to \$1,969,000. In addition, City Council designated \$120,460 from health insurance savings that were achieved in September 2019 to increase the reserves. It is the City Council's policy to continue to take steps each year to increase the minimum reserve. The base block of reserves has grown steadily each year. If the economy continues to be positive, the proforma indicates that at end of FY 2024, the minimum reserve will be at 10.5% plus \$120,460.



The Governmental Finance Officers Association of the U.S. and Canada has a best practice recommendation of a reserve of two months operating expenditures. The graph below shows the best practice level as a line that was reached in FY 2017, but is not yet being sustained.

City Minimum Reserve combined with Additional Available Reserve Compared to Target Reserve



The second block of the reserves was new in FY 2015. It is a funding mechanism for capital outlay that provides a smoothed amount to be funded annually, based on the 5 year capital outlay plan. The current annual smoothed level of general revenue funding for capital outlay is \$740,000. Those amounts unused will be carried in the reserve until the year scheduled for use. In the FY 2019 reserve, the amount of \$440,000 is reserved and will be reserved until FY 2021 to fund a larger capital outlay, without a spike in the operating budget. The third block of the reserves is the amount identified as needed to balance the subsequent year’s budget in the proforma. In this case, FY 2021 as currently projected, would need an additional \$387,300 from reserves to be balanced. The fourth block is the small amount of funds identified in the Comprehensive Annual Financial Report (CAFR) as inventories. The final and fifth block is the remaining amount of reserves that are available for use. The City has not appropriated them for expenditures, and as such, are considered as part of the current operating reserve for purposes of stabilizing the general fund. In future years, as the policy allows the minimum reserve to increase these funds will be shifted from the available reserve to the minimum required reserve.

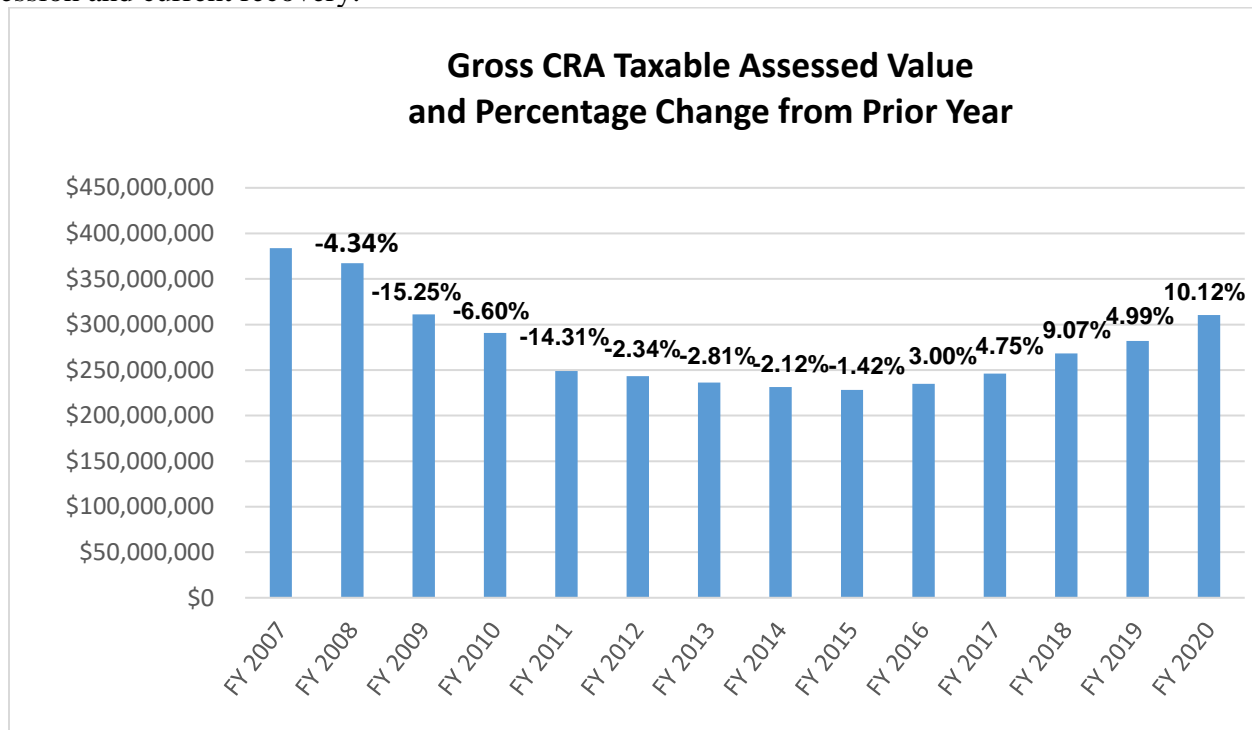
Community Redevelopment Agency

City Council created the Community Redevelopment Agency (CRA) in 1989 as a mechanism to carry out the goals and objectives of the Downtown Redevelopment Plan and Eastside & Downtown Planning Study. Projects constructed within the CRA were funded by property owners within the CRA from tax value increments generated over the 1989 base year. The CRA focused redevelopment efforts on projects which assisted in rebuilding our public spaces. These efforts concentrated on several expansive projects which stressed the importance of maintaining our public waterfront, alleviating parking issues and helped to re-establish the critical mass of structures and economic activity within the downtown area and adjacent neighborhoods. Over 60% of the CRA tax base is commercial and professional uses.

The CRA has experienced dramatic fluctuations in taxable assessed value and related City/County tax increment finance (TIF) contributions over the past thirteen years. The table shown here provides the history of taxable value and revenue generated from TIF since FY 2007.

Fiscal Year	Gross CRA Taxable Assessed Value	City TIF Contribution	County TIF Contribution	Total TIF Contribution
FY 2007	\$383,774,587	\$627,124	\$1,394,380	\$2,021,504
FY 2008	\$367,113,862	\$591,466	\$1,236,559	\$1,828,025
FY 2009	\$311,130,098	\$562,664	\$1,250,570	\$1,813,234
FY 2010	\$290,592,852	\$538,621	\$1,139,173	\$1,677,794
FY 2011	\$249,005,996	\$436,047	\$974,342	\$1,410,389
FY 2012	\$243,188,559	\$424,246	\$970,103	\$1,394,349
FY 2013	\$236,361,169	\$480,644	\$929,373	\$1,410,017
FY 2014	\$231,340,961	\$458,101	\$902,447	\$1,360,548
FY 2015	\$228,049,842	\$448,578	\$884,092	\$1,332,670
FY 2016	\$234,899,693	\$470,728	\$927,748	\$1,398,476
FY 2017	\$246,050,943	\$502,566	\$988,358	\$1,490,924
FY 2018	\$268,367,069	\$570,342	\$1,124,073	\$1,694,415
FY 2019	\$281,762,265	\$611,027	\$1,204,258	\$1,815,285
FY 2020	\$310,287,148	\$749,331	\$1,374,992	\$2,124,323

The graph depicts the historical trend of assessed values since the height prior to the recent economic recession and current recovery.



In July 2012, the CRA Board and City Council, in partnership with Charlotte County, recognized that declining taxable values could not support the repayment schedule of existing debt. In doing so, the three governing bodies approved the extension of the life of the CRA until December 31, 2030. Subsequently, the City completed refinancing CRA debt to better match income flow and to eliminate projected deficits. Due to the passed Tax Cuts and Jobs Act, the corporate tax rate was reduced to 21% from a maximum rate of 35% as if January 1, 2018. This change increased the City's interest cost over the remaining life of the loan by \$454,000 and has been updated in the proforma. The FY 2020 TIF revenue is based on 10.1% increase in taxable value in the district and County millage rate of 6.3007 and City millage rate of 3.4337. The proforma continues to anticipate conservative assessed property value increases of 3%-2% in FY 2021 through FY 2024. The resulting estimated debt service reserve grows from \$1,550,000 at end

of FY 2020 to \$4,041,000 at end of FY 2024, providing a buffer for economic downturns thereby ensuring that annual debt service can be met.

The proforma for the district has been divided into three divisions to better identify the funding sources for the three responsibilities of the district: 1) retirement of the CRA debt through the County and City TIF; 2) operations of Herald Court Centre (HCC); and 3) maintenance of the infrastructure contributed by the district, such as the marina, interactive fountain, restrooms and pavilions adjacent to the marina, mooring field, HCC parking structure and numerous gateway enhancements, intersection treatments, pocket parks and Martin Luther King Boulevard. As the infrastructure ages, the need for repair and maintenance will increase. Projected expenditures for FY 2020 reflect this trend with a budget of \$145,000 for maintenance and repairs that continues through FY 2024. If funds are not needed in the current fiscal year, they will carryover to the next fiscal year, thereby ensuring funds are available to properly maintain the infrastructure. The reserve for other operations in this category shows a balance of \$368,000 at end of FY 2020 and fluctuates only slightly through FY 2024.

The Herald Court lease revenue for FY 2020 includes fully rented units for the first time. So as not to over project revenues, FY 2021 through FY 2024 projects one vacant unit as leases are coming up for renewal. Florida Gulf Coast University is currently on a month to month lease term. Based on these projections, the reserve for the Herald Court Centre shows a balance of \$284,000 in FY 2020 and growing to \$476,000 at end of FY 2024. This reserve has two segments, the first is those funds received through the common area maintenance (CAM) fee and prepaid taxes from tenants that must be reserved for such use, and the second is available to cover shortfalls in lease revenue for purposes of ongoing operations and maintenance.

**Community Redevelopment Agency Fund
Proforma Schedule of Revenues and Expenditures
Budget FY 2020 through Proforma FY 2024**

	Budget FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024
Debt Service Division					
Assessed Property Valuation change	10.1%	3%	3%	2%	2%
Tax Increment Financing (TIF) Revenue	\$2,124,323	\$2,180,553	\$2,245,970	\$2,290,889	\$2,336,707
CRA Lease Payments (Debt Service)	1,538,772	1,578,405	1,620,749	1,660,731	1,703,276
Revenues in Excess of Debt Svc	585,551	602,148	625,221	630,158	633,431
Reserve - TIF for Debt Svc (Beg)	964,413	1,549,964	2,152,112	2,777,333	3,407,491
Reserve - TIF for Debt Svc (End)	\$1,549,964	\$2,152,112	\$2,777,333	\$3,407,491	\$4,040,922
Herald Court Operations Division					
Herald Court Revenues	\$276,635	\$264,804	\$269,627	\$274,525	\$279,366
Herald Court Operating Expenditures	203,850	214,456	220,444	227,058	233,870
Revenues in Excess of Herald Ct					
Operations	72,785	50,348	49,183	47,467	45,496
Reserve - Herald Ct (Beg)	211,105	283,890	334,238	383,421	430,888
Reserve - Herald Ct (End)	\$283,890	\$334,238	\$383,421	\$430,888	\$476,384
CRA Operations Division					
Other CRA Revenues	\$139,563	\$145,433	\$151,312	\$157,200	\$163,097
Other CRA Operating Expenditures	154,000	154,000	154,000	154,000	154,000
Revenues in Excess (Shortfall) of Other					
Operations	(14,437)	(8,567)	(2,688)	3,200	9,097
Reserve - Other Operations (Beg)	381,994	367,557	358,990	356,302	359,502
Reserve - Other Operations (End)	\$367,557	\$358,990	\$356,302	\$359,502	\$368,599

Utilities

The current five-year financial forecast is based on 2-day per week watering; average rainfall; and new financing based on the FY 2020-2024 capital improvement plan. The City Council adopted a financial policy in March 2014 to fund \$1,120,000 with current revenues those expenses for recurring line and lift station repairs and replacements. Remaining funds from this program that have accumulated over the years are being used to fund FY 2020. The current proforma continues to suspend the recommended 4% water & sewer rate increase that was planned for FY 2018 based on the 2015 Rate Sufficiency Study by Burton & Associates with a 50% grant for the RO plant. Based on the current proforma, the projected revenues and reserves as shown are sufficient to fund the FY 2020-2024 capital improvements plan. Cost estimates were recently provided to City Council for the Wastewater Treatment Plant expansion project and the City is continuing to develop the Septic to Sewer plan for the Charlotte Park area. These project updates will be included in the FY 2021-2024 capital improvements plan as part of the FY 2021 budget development and therefore are not included in the current proforma. A utility rate study will also be undertaken to include the projects in the next five year plan. The last rate study was conducted in 2015.

Utilities OM&R Fund Proforma Schedule of Revenues and Expenses Budget FY 2020 through Proforma FY 2024

	Budget FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024
Revenues:					
Chg for Serv - Water	\$9,990,790	\$10,040,745	\$10,090,950	\$10,141,405	\$10,192,110
Chg for Serv - Sewer	7,486,220	7,523,650	7,561,270	7,599,075	7,637,070
Other Revenue	1,037,320	1,270,595	881,625	912,680	898,770
Total Revenues	18,514,330	18,834,990	18,533,845	18,653,160	18,727,950
Expenses:					
Operations	13,754,645	14,214,063	14,722,496	15,252,026	15,803,622
Renewal & Replacement of Infrastructure	0	920,000	270,000	270,000	1,120,000
Transfer for Capital Improvement Projects	2,320,000	7,450,000	500,000	525,000	3,745,000
Existing Debt Service	200,000	200,000	0	0	0
New Debt Service	592,500	1,185,000	1,185,000	1,185,000	1,185,000
Transfer to SRF Fund-reserve incr(decr)	225,000	(375,000)	0	0	0
Contribution to Pipeline Project	1,500,000	0	0	0	0
Total Expenses	18,592,145	23,594,063	16,677,496	17,232,026	21,853,622
Revenues in Excess (Shortfall) of Expenses	(77,815)	(4,759,073)	1,856,349	1,421,134	(3,125,672)
Operating Reserves-Beg	9,295,588	9,217,773	4,458,700	6,315,049	7,736,183
Operating Reserves-End	\$9,217,773	\$4,458,700	\$6,315,049	\$7,736,183	\$4,610,511

Utilities Reserves

The City has legal and adopted financial policies utilizing reserves for the following purposes:

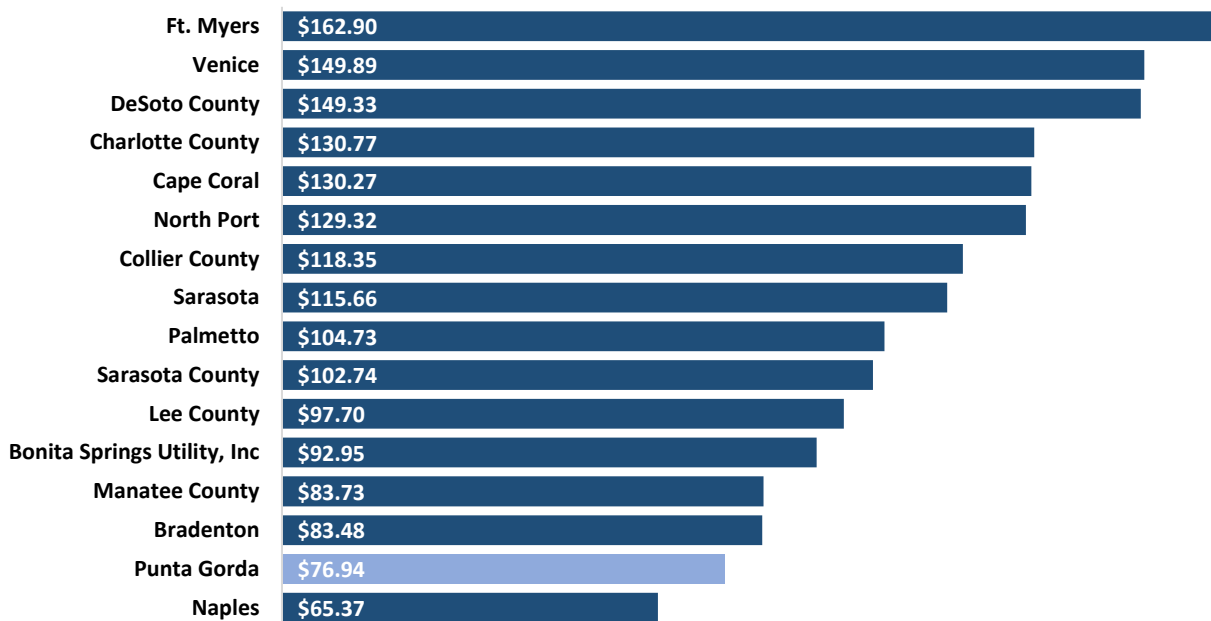
- Maintain an unassigned fund balance minimum of \$3.1 million; protection against unforeseen revenue declines and extraordinary operating expenses due to economic or weather disasters, and contract bids or equipment failures.

- Provide an emergency fund for existing infrastructure by retaining the Renewal and Replacement fund of \$1.5 million, which until January 2014 was required by bond covenants;
- Utilize a Capital Outlay reserve to provide level funding, City Council has approved the \$728,850 funding level in FY 2020; and \$700,000 for FY 2021 through FY 2024. If the funds are not spent in the budgeted fiscal year, they will be placed in the Capital Outlay reserves. This will ensure that current and future aging issues of mechanical parts in both plants can be addressed in an adequate manner.
- Existing State Revolving Loan Fund (SRF) reserve fund maintains one year of debt service payments and proforma shows addition of \$225,000 in FY 2020, adding to the one year of debt service on the new SRF loan.
- The water and sewer impacts have restricted use and are kept in a reserve for growth related capital projects, such as the new Groundwater Reverse Osmosis (RO) Water Treatment Plant, wastewater force main on Jones Loop Road, and planned expansion of the wastewater plant.

Utilities Rate Comparison

The City’s utility rates are the 2nd lowest among the Southwest Florida utilities surveyed at the current projected FY 2020 rates.

Combined Water & Sewer Bill Survey at 7,000 Gallons per Month



Sanitation

The City operates its sanitation services as an enterprise fund and collects refuse two days per week and horticulture one day per week for 11,850 residential accounts. For the 660 commercial accounts, collection is available 6 days per week. The City has improved the recycling program by providing a 48 gallon rolling cart to each household, which is collected one day per week by an outside vendor. The projected diversion of waste stream from the landfill is 37%, which exceeds the 30% mandate. The program continues in FY 2020 with a rate increase of \$0.42 per month or \$5.04 per year, due to a contract increase. Rate increases for recycling are included in all years based on current annual contract increases. The City implemented semi-automatic pickup system with carts which is expected to reduce injuries and yet allow the full-service that Punta Gorda residents appreciate. The budget also reflects a 10-year fleet replacement program which is under review. The 2020 budget includes the replacement of (3) packers

and projects replacements of a packer, clamshell loader, and flatbed truck in FY 2022. As with the general and utility fund, City Council approved funding of a capital outlay reserve in order to stabilize the funding source. However rates will need to be reviewed as FY 2023 approaches since the current proforma does not show sufficient funding to continue to accumulate funds for the next set of packer purchases after FY 2024. Additional rate increases may be needed in FY 2023 or FY 2024 to support the fleet replacement. This will be addressed in a future budget process.

**Sanitation Fund
Proforma Schedule of Revenues and Expenses
Budget FY 2020 through Proforma FY 2024**

	Budget FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024
Revenues:					
Chg for Serv - Refuse Collection	\$3,753,850	\$3,869,015	\$3,981,270	\$4,093,790	\$4,206,574
Other Revenue	33,720	31,740	30,045	27,480	26,715
Total Revenues	3,787,570	3,900,755	4,011,315	4,121,270	4,233,289
Expenses:					
Operations	3,602,290	3,784,947	3,973,387	4,168,088	4,369,312
Capital	767,000	0	530,600	0	0
Total Expenses	4,369,290	3,784,947	4,503,987	4,168,088	4,369,312
Revenues in Excess (Shortfall) of Expenses	(581,720)	115,808	(492,672)	(46,818)	(136,023)
Operating Reserves-Beg	958,903	627,183	492,991	500,319	453,501
Capital Outlay Reserves-Beg	500,000	250,000	500,000	0	0
Capital Outlay Reserves-End	\$250,000	\$500,000	\$0	\$0	\$0
Operating Reserves-End	\$627,183	\$492,991	\$500,319	\$453,501	\$317,478

To compare the City’s rates with surrounding jurisdictions, a survey was taken during July 2019. All rates include once per week service for yardwaste and recycling, and either once or twice per week refuse pickup, as noted below.

Sanitation Rate Comparison for FY 2020

Jurisdiction	Proposed FY 2020 Cost/Year	Frequency of Service per Week	Outsourced
City of Sarasota	\$294.60	1	No
Naples	\$286.68	2	No
Punta Gorda	\$271.44	2	No
Venice	\$262.44	2	No
North Port	\$249.00	1	No
Fort Myers	\$228.96	1	No
Collier County	\$217.50	2	Yes
Charlotte County	\$206.80	1	Yes
Cape Coral	\$196.22	1	Yes
Sarasota County	\$186.59	1	Yes
Manatee County	\$171.96	2	Yes

Canal Maintenance Districts Funds

Punta Gorda Isles Canal Maintenance District

The FY 2020 budget for the Punta Gorda Isles (PGI) canal maintenance assessment district reflects the Advisory Committee recommendation to maintain the annual operating assessment of \$650 which includes \$100 for the repayment of debt service on the City's 12.5% share of expenditures of the Hurricane Irma (September 2017) seawall projects based on FEMA and State recovery of 87.5%. The repairs to the estimated 50,399 lineal feet of seawalls were nearing 100% completion at the end of FY 2019. Although the five-year proforma below showed the \$650 assessment through FY 2022, the City was notified late September 2019 that the FEMA recovery on the project was increasing to 90% and the State and City share would decrease to 5% each. This will allow the City to work on reducing the assessment rate during the development of the FY 2021 budget.

The rip rap mitigation is delayed pending permitting, which could be a lengthy process as was recently experienced when permitting Buckley's Pass, and therefore the budget for the expenditures and loan draws were moved to FY 2020 with expected FEMA and State reimbursements and loan repayments in FY 2021. The City continues to work closely with FEMA and the State to extend the completion date for the project.

Replacement of one vehicle is included in capital outlay in FY 2020 and channel construction to access spoil site and Ponce de Leon Inlet widening & dredging projects are scheduled FY 2020 through FY 2022. Results of a study that is reviewing new seawall panel technologies and/or installation methods while maintaining the character of the district will also be used in developing the FY 2021 budget and proforma.

PGI Canal Maintenance Fund Proforma Schedule of Revenues and Expenditures Budget FY 2020 through Proforma FY 2024

	Budget FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024
Assessment Rate	\$650	\$650	\$650	\$550	\$550
Revenues:					
Operating Assessment	\$3,381,400	\$3,381,400	\$3,381,400	\$2,861,750	\$2,861,750
FEMA & State-Hurr. Irma Reimb.	0	\$7,207,375	0	0	0
Transfer from General Fund(Financing)	8,237,000	0	0	0	0
Other Revenue	12,000	12,000	12,000	12,000	12,000
Total Revenues	11,630,400	10,600,775	3,393,400	2,873,750	2,873,750
Expenditures:					
Operations	1,164,660	1,024,685	1,065,545	1,108,340	1,153,180
Inlet Dredging	58,000	58,000	58,000	58,000	58,000
Seawalls and Stabilization	1,560,000	1,720,045	1,829,645	1,839,535	1,849,720
Capital	40,000	300,000	300,000	0	0
Trsfr to Debt Svc Fd-Repay Seawall Ln	5,985,000	8,484,500	0	0	0
Seawall Repairs & Mitigation-Hurr.Irma	8,237,000	0	0	0	0
Total Expenditures	17,044,660	11,587,230	3,253,190	3,005,875	3,060,900
Revenues in Excess (Shortfall) of Expenditures	(5,414,260)	(986,455)	140,210	(132,125)	(187,150)
Operating Reserves-Beg	6,730,384	1,141,124	454,669	894,879	762,754
Reserve Seawall Replacement-Beg	425,000	600,000	300,000	0	0
Reserve Seawall Replacement-End	\$600,000	\$300,000	\$0	\$0	\$0
Operating Reserves-End	\$1,141,124	\$454,669	\$894,879	\$762,754	\$575,604

Burnt Store Isles Canal Maintenance District

The FY 2020 budget for the Burnt Store Isles (BSI) canal maintenance assessment district reflects the Advisory Committee recommendation to maintain the annual assessment of \$555 through FY 2021 - \$460 for normal operations and \$95 for debt service on the completed perimeter dredging project.

The City was impacted by Hurricane Irma in September 2017. As a result, there were seawall failures in the BSI Canal Maintenance District, an estimated 2,146 lineal feet which were nearing completion at the end of FY 2019. The City was notified late September 2019 that the FEMA recovery on the project was increasing to 90% (from 75%) and the State and City share would decrease to 5% each (from 12.5% each). The additional revenue will be considered in the development of the FY 2021 budget and could be used towards unfunded projects or reducing the debt service which could result in a lower assessment.

The rip rap mitigation is delayed pending permitting. The City continues to work closely with FEMA and the State to extend the completion date for the project.

Construction of barge access/inlet widening project and engineering and construction of channel corner widening project are under consideration and are not currently budgeted. The proforma includes a separate section that shows the effects on reserves if projects were to move forward without additional funding/assessments.

BSI Canal Maintenance Fund Proforma Schedule of Revenues and Expenditures Budget FY 2020 through Proforma FY 2024

	Budget FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024
Operating Rate	\$460	\$460	\$460	\$460	\$460
Dredging Rate	\$95	\$95	0	0	0
Revenues:					
Operating Assessment	\$474,800	\$474,800	\$474,800	\$474,800	\$474,800
Dredging Assessment	97,950	97,950	0	0	0
Interest	7,875	4,875	1,800	1,575	3,525
Total Revenues	580,625	577,625	476,600	476,375	478,325
Expenditures:					
Operations	101,500	103,735	104,855	106,015	107,220
Inlet Dredging	38,000	38,000	38,000	38,000	38,000
Seawalls and Stabilization	300,000	300,000	300,000	300,000	300,000
Perimeter Dredging Proj Debt Service	95,860	95,860	0	0	0
Total Expenditures	535,360	537,595	442,855	444,015	445,220
Revenues in Excess (Shortfall) of Expenditures	45,265	40,030	33,745	32,360	33,105
Operating Reserves-Beg	492,907	493,172	488,202	476,947	464,307
Reserve Seawall Repl & Spec.Proj-Beg	135,000	180,000	225,000	270,000	315,000
Reserve Seawall Repl & Spec.Proj-End	\$180,000	\$225,000	\$270,000	\$315,000	\$360,000
Operating Reserves-End	\$493,172	\$488,202	\$476,947	\$464,307	\$452,412
Projects Requiring Approval & Funding:					
Barge Access-Inlet Widening Construction	125,000	125,000	0	0	0
Channel Corner Widening Proj	75,000	180,000	300,000	0	0
Est. Beg. Reserves with projects	627,907	473,172	208,202	(58,053)	(25,693)
Est. End. Reserves with projects	\$473,172	\$208,202	(\$58,053)	(\$25,693)	\$7,412

Laishley Park Marina

Laishley Park is operated as an enterprise fund to include the marina and park grounds. The City outsources management of the marina to Marina Park LLC, however retains the authority to set boat slip, community room, ship’s store and pavilion rental rates. The budget reflects projected revenues from the above sources as well as contracted personnel and operating costs associated with management of the marina area. The marina is operated and open year round.

The FY 2020 budget incorporates the July 2016 adopted marina fee and East Mooring Field fee schedules which were based on a survey of neighboring marinas. The City will apply for a Department of Environmental Protection Clean Vessel Act (CVA) Grant and a Charlotte County Marine Advisory Committee (MAC) Grant for FY 2020 to offset costs of maintenance and repairs of the Laishley Park Municipal Marina Pumpout Boat. Funding for dredging and for repair and maintenance of the mooring field and docks continues to be budgeted. FY 2020 includes capital outlay for replacement of appliances in the boaters’ laundry facilities.

Laishley Park Marina Fund Proforma Schedule of Revenues and Expenses Budget FY 2020 through Proforma FY 2024

	Budget FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024
Revenues:					
Slip & Mooring Rentals	\$430,995	\$430,995	\$430,995	\$430,995	\$430,995
Intergovernmental Revenue	11,000	11,000	11,000	11,000	11,000
Other Revenue	22,750	22,960	23,165	23,375	23,590
Total Revenues	464,745	464,955	465,160	465,370	465,585
Expenses:					
Laishley Park Marina Expenses	203,275	208,675	214,250	220,000	225,930
Marina Park Contract Expenses	237,050	243,260	249,660	256,250	263,040
Capital Outlay	6,000	6,000	6,000	6,000	6,000
Total Expenses	446,325	457,935	469,910	482,250	494,970
Revenues in Excess (Shortfall) of Expenses	18,420	7,020	(4,750)	(16,880)	(29,385)
Operating Reserves-Beg	370,534	388,954	395,974	391,224	374,344
Operating Reserves-End	\$388,954	\$395,974	\$391,224	\$374,344	\$344,959

The five-year proforma maintains the July 2016 rate schedules. Operations were increased in FY 2018 to allow for dredging, dock and mooring field maintenance. This funding level continues in the current five-year proforma. Based on current usage the fund is self-sustaining for operations.

Building

The Building fund is operated as an enterprise fund and includes all aspects of permitting, inspections, plans review and licensing of contractors to support the State and City building codes. The City has established various permit fees to pay for services provided. Staffing had been reduced from thirteen positions in FY 2006 to five in FY 2013 with furloughs due to a decline in permit applications, inspections and stagnant growth trends. Since the turnaround that began in FY 2013, staff was reinstated to full 40 hour work weeks, a full-time building inspector and a part-time permit clerk were added mid-year in FY 2014, an additional full-time building inspector was added and the part-time permit clerk position was increased to full-time during FY 2016. A mid-year authorization in FY 2018 added an additional full-time building inspector. A part-time line and grade inspector was added in the beginning of FY 2019 bringing

total positions to 9.5 f.t.e. For FY 2020, this position was upgraded to a full-time engineering technician that will continue to complete the line and grade inspections. The position is funded equally by the two divisions that utilize this position: 50% building division and 50% engineering division in the general fund.

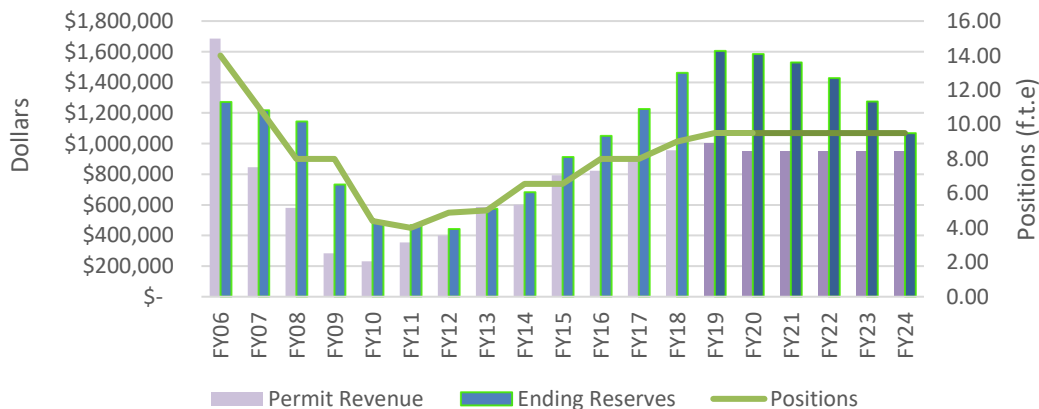
Permit fees will remain the same in FY 2020. The five year proforma projects permit revenues remaining level FY 2020 through FY 2024. The City will continue to monitor activity and may adjust work schedules or staffing levels in the future if activity warrants and revenues allow. Capital outlay is projected for a new vehicle in FY 2020 for the new position added in FY 2019. The position was using a vehicle that would have gone to auction during FY 2019.

**Building Fund
Proforma Schedule of Revenues and Expenses
Budget FY 2020 through Proforma FY 2024**

	Budget FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024
Revenues:					
Permits, Fees & Spec.Assessments	\$1,012,350	\$1,012,350	\$1,012,350	\$1,012,350	\$1,012,350
Other Revenue	65,000	52,500	52,500	51,000	48,750
Total Revenues	1,077,350	1,064,850	1,064,850	1,063,350	1,061,100
Expenses:					
Operations	1,091,445	1,137,095	1,184,760	1,234,545	1,286,545
Capital	23,250				
Total Expenses	1,114,695	1,137,095	1,184,760	1,234,545	1,286,545
Revenues in Excess (Shortfall) of Expenses	(37,345)	(72,245)	(119,910)	(171,195)	(225,445)
Operating Reserves-Beg	1,605,299	1,567,954	1,495,709	1,375,799	1,204,604
Operating Reserves-End	\$1,567,954	\$1,495,709	\$1,375,799	\$1,204,604	\$979,159

As experienced in the previous economic downturn (FY 2008-2013), the level of reserves projected is necessary to continue necessary levels of service even during downturns in new construction starts. The chart below shows actual permit revenue, ending reserves and staffing from actual FY 2006 through FY 2018 and projected FY 2019 through FY 2024. It is clear that the permit revenues have not reached the same levels as before the last economic downturn and that if another downturn were to occur, there are fewer positions that could be reduced than before.

**Building Fund
Permit Revenue, Ending Reserves, and Positions (f.t.e)
Actual FY 2006 through Projected FY 2024**



Gas Tax

Based on state statutes providing restrictions on use of gas tax revenue, the City has established local option fuel taxes in two funds. The first six cents is used for transportation expenditures such as roadway and right of way maintenance, drainage, street sweeping, street lights, traffic sign and signals, bridge maintenance, railroad crossings and sidewalk repairs. The second five cents is used only for road capital improvement such as paving rejuvenation and resurfacing.

Proceeds from fuel taxes are distributed by the State to Charlotte County and the City. The City's share for the first six cents distribution was reduced from 11.14% to 10.34% beginning in FY 2011, and the next five cents remains at 6.74%. The distribution allocation is determined by the five-year average transportation expenditures or interlocal agreement, which has remained the same for FY 2020. A history of revenue received since FY 2011 is displayed in the following chart.

Fiscal Year	6 Cents	5 Cents	Total
2011	\$ 507,120	\$ 234,770	\$ 741,890
2012	\$ 531,480	\$ 248,440	\$ 779,920
2013	\$ 526,830	\$ 243,570	\$ 770,400
2014	\$ 548,900	\$ 259,200	\$ 808,100
2015	\$ 573,000	\$ 266,700	\$ 839,700
2016	\$ 588,200	\$ 274,500	\$ 862,700
2017	\$ 593,900	\$ 277,500	\$ 871,400
2018	\$ 607,200	\$ 279,200	\$ 877,300
2019	\$ 589,000	\$ 266,000	\$ 855,000
2020	\$ 589,000	\$ 266,000	\$ 855,000

The effect of elasticity of gas consumption (the tax is charged on gallons not dollars) in the past years of increased gas prices resulted in a decline of revenue in the high priced years. Revenues had been increasing during the recent gas price reduction. However, during FY 2019 the City was experiencing a decrease in revenues as compared to FY 2018. Projections for FY 2019 and FY 2020 were reduced accordingly.

The Six Cent Gas Tax Fund five-year proforma projects additional road and right of way maintenance due to the Jones Loop annexation and an increase in sidewalk replacements, capital outlay for a traffic monitoring system in FY 2020 and projects the use of reserves to cover shortfalls through FY 2024.

Six Cent Gas Tax Fund Proforma Schedule of Revenues and Expenditures Budget FY 2020 through Proforma FY 2024

	Budget FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024
Revenues:					
Local Option Gas Tax	\$589,000	\$594,890	\$600,840	\$606,850	\$612,920
Other Revenue	291,410	294,390	297,875	302,345	305,960
Total Revenues	880,410	889,280	898,715	909,195	918,880
Expenditures:					
Operating Expenditures	960,755	973,980	987,600	1,001,625	1,016,075
Capital	25,000	0	0	0	0
Total Expenditures	985,755	973,980	987,600	1,001,625	1,016,075
Revenues in Excess (Shortfall) of Expenditures	(105,345)	(84,700)	(88,885)	(92,430)	(97,195)
Operating Reserves-Beg	484,498	379,153	294,453	205,568	113,138
Operating Reserves-End	\$379,153	\$294,453	\$205,568	\$113,138	\$15,943

The Additional Five Cent Gas Tax Fund five-year proforma projects a slightly increasing tax revenue FY 2021 through FY 2024, which does not fully support the required annual paving program as identified by the City Engineering Division. Council addressed the importance of maintaining the City’s road infrastructure with a policy of transferring ad valorem millage revenue of \$459,000 as an ongoing subsidy.

**Additional Five Cent Gas Tax Fund
Proforma Schedule of Revenues and Expenditures
Budget FY 2020 through Proforma FY 2024**

	Budget FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024
Revenues:					
Local Option Gas Tax	\$266,000	\$268,660	\$271,350	\$274,070	\$276,810
Transfer from General Fund Ad Valorem	459,000	459,000	459,000	459,000	459,000
Other Revenues	830	850	900	950	1,000
Total Revenues	725,830	728,510	731,250	734,020	736,810
Expenditures:					
Paving	725,000	725,000	730,000	730,000	735,000
Total Expenditures	725,000	725,000	730,000	730,000	735,000
Revenues in Excess (Shortfall) of Expenditures	830	3,510	1,250	4,020	1,810
Operating Reserves-Beg	24,380	25,210	28,720	29,970	33,990
Operating Reserves-End	\$25,210	\$28,720	\$29,970	\$33,990	\$35,800

Section 2: Strategic Planning Process Update

The Strategic Plan is used to set the overall goals for the City, provide direction to City departments, and create the basis for each year's annual budget. The plan provides a tool for more effective and economical operations and demonstrates to the public that careful consideration has been given to future development and direction of the organization. The plan provides a realistic view of the expectations for the organization and community at-large.

In 2019, City Council hired Dover Kohl & Partners, LLP to create a new master plan and fiscal and economic analysis for the City. Over the course of 2019, a tremendous amount of resident and stakeholder engagement, input, and feedback was obtained to create the PLAN Punta Gorda 2019 Citywide Master Plan. This plan was accepted by City Council in November of 2019 and is being used to help inform the FY 2021 Strategic Plan.

In January of 2020, City Council held a Strategic Planning Workshop where Council:

- 1) Edited the mission, vision, and values by looking at the existing versions and those that came out of the resident/stakeholder input process of the PLAN Punta Gorda 2019 Citywide Master Plan.
- 2) Selected key focus areas for FY 2021 by comparing/contrasting/integrating the FY 2020 current focus areas with those that came out of the resident/stakeholder input process.
- 3) Created framework for staff to turn key focus areas into Specific, Measurable, Attainable, Relevant, and Timely goals (SMART goals).

The Five Big Ideas and some action items that may come before Council to be integrated into the final Strategic Plan for FY 2021 are:

- 1) Make Downtown a Vibrant and Attractive Place
 - Create a new Community Affairs Division within the City of Punta Gorda, with one or two new full-time positions.
- 2) Celebrate Charlotte Harbor and Welcome More Boating
 - Conduct an in depth study of the effects of adding new marinas, mooring ball fields, and breakwaters in Charlotte Harbor and work closely with property owners, environmental groups, and technical consultants to mitigate any impacts.
- 3) Diversify Housing Types
 - Provide a tax/fee rebate program for residential projects that include a certain number of affordable and workforce housing units.
- 4) Fully Embrace Walking and Biking
 - Study the feasibility of a long-term vision network of trails and bicycle facilities, as defined in the Recommended Bicycle Network Map.
- 5) Encourage Strategic Commercial Development
 - Create a façade improvement program to help local businesses make improvements to their storefronts in accordance with new architectural and frontage standards.

Council will review a draft strategic plan and provide feedback in early April 2020 so that these items can be incorporated into the FY 2021 financial plan.

Section 3: Proposed Financial Management Policy Change

The City maintains a comprehensive set of financial policies in the areas of financial planning, revenues, and expenditures that have been adopted by Council. The last amendment on February 6, 2019 increased the unassigned fund balance minimum from 8.0% to 8.5% of total fund budgeted appropriation for the General Fund and all other operating funds, except the Utilities Fund. That amended policy is:

For the General Fund, and all other operating funds, except the Utilities Fund, the City requires an unassigned fund balance minimum of 8.5% of total fund budgeted appropriations. Council intends to reach a 16.7% unassigned fund balance minimum. Each year, as the economy improvement allows, the City will increase the minimum by 0.5%.

Additionally, in September 2019, the City went out to bid for Health Insurance. The results of the bidding process allowed the City to reduce the budget for that line item from a 12% increase to a 6.7% increase. Council directed that the savings, \$120,460, that resulted from this change in the general fund budget, be used to increase the general funds' unassigned fund balance minimum going forward and to be used only to mitigate any impact for future health insurance increases over the projected 6% per year. The proposed change to reflect the increase to 9.0% plus the additional set funds is reflected here in the proposed policy for FY 2021:

For the General Fund, and all other operating funds, except the Utilities Fund, the City requires an unassigned fund balance minimum of 9.0% of total fund budgeted appropriations. For the General Fund an additional \$120,460 will be added to the 9.0% only to be used in cases to mitigate health insurance increases over 6% in a future year. Council intends to reach a 16.7% unassigned fund balance minimum. Each year, as the economy improvement allows, the City will increase the minimum by 0.5%.

Section 4: Budget Issues

General Fund

One of the City's financial management policies continues to recommend recurring revenues be aligned with recurring expenditures. In addition the fiscal forecast is predicated on retention of the current millage rate. The estimated value of a mill for FY 2021 is \$3,387,000. In order to address the above policy and/or millage rate assumption, revenues and expenditures should be examined in order to reduce or eliminate the gap.

An option of establishing a millage rate using only growth-related revenues (\$197,000 based on \$60 million in tax base growth net of early payment discount) would result in a relative millage rate decrease of 0.1360 mills. In order to achieve a balanced budget (current revenues equalling current expenditures) based on this assumption, the total shortfall would increase to \$848,100. The following expenditure reductions can be considered:

Areas of Consideration	Range
Reduction of drainage program	\$0 - \$300,000
Eliminate various programs and related staffing	To Be Determined based on input from Council and citizens

Items that are currently not in the projected budget but will need to be considered as the FY 2021 budget is developed are:

General Employee merit increase (Citywide) – Progression planning and career progression programs have been implemented in efforts to retain current employees. In addition, the City implemented the pay grade recommendations and an alternative for general employees from the classification and compensation study undertaken in FY 2018 that was less than recommended in the Cody study. In an effort to offset that alternative, Council increased the annual merit wage adjustment from 3% to 4% for general employees (bargaining units covered by contract increases are excluded). A review of surrounding area government agencies wage adjustments will be undertaken to evaluate City efforts in remaining competitive in the current job market. At this time, Charlotte County is proposing a 4% pay increase for their employees.

City Match for Defined Contribution Retirement Plan – In FY 2012, the General employees defined benefit plan was closed and a defined contribution plan was developed for general employees. This plan allows a city match of 100% on the employees contribution of the first 5% of pensionable wages and a city match of 50% of the employees contribution over 5% but not exceeding 10% of pensionable wages. Any employees contribution over 10% of pensionable wages are not matched by the City. In looking at new employee retention and other nearby governmental employers that still offer FRS or defined benefit plans, it is suggested to increase the City match to 100% for the over 5% but not exceeding 10% tier of employee contributions. Based on employees current contribution rates with the potential for them to increase their contribution, the citywide impact could range from \$59,000 up to \$144,800, of which the general fund range could be \$24,500 up to \$63,900. Indications from preliminary data is that matching employee contribution at 100% up to a maximum of 10% of employee pensionable wages is justified. In the immediate area from which the City draws applicants, the City is the only agency that does not have an active defined pension plan for general employees.

Security Measures – The cost estimates of the various components of security measures for various buildings in the City (excluding City Hall) are in the process of being finalized. The estimates along with options is expected to be presented to Council April 2020

City Hall Refurbishment – Outcomes from the study for the historical and functional building evaluation of City Hall to provide areas that may need to be addressed for repairs/maintenance is expected to be presented to Council April 2020.

Citywide Master Plan – The PLAN Punta Gorda 2019 Citywide Master Plan was accepted by City Council in November 2019. Council approved moving forward with updates to the City’s Comprehensive Plan and development and preparation of Land Development Code that would be consistent with the changes to the Comprehensive plan in February 2020. Timing of new capital projects and/or services recommended in the PLAN and the funding will need to be determined as Council prioritizes items through the Strategic Plan development each fiscal year. Please refer back to Section 2 of this document regarding some of the possible items under discussion that might impact the FY 2021 budget development.

Fair Share Impact Fees – Second reading of an ordinance to adopt final rates for park, mobility, and public safety impact fees is scheduled for February 19th, 2020. Governmental impact fees will remain suspended and an affordable housing exemption is included. Impact fees may be used for growth related infrastructure projects in a share commensurate with the growth requiring the need for the project.

Boat/Trailer Parking Fees at Ponce Park and Laishley Park Marina – Periodically, the City looks at additional ways to diversify it’s revenue sources. One way would be to introduce parking fees for the boat and trailer parking that is available at Ponce Park and Laishley Park Marina. Charlotte County currently charges these fees at their ramp areas. If directed, staff could develop a program with projected revenues and costs to present to Council. This suggestion has been presented to previous City Councils but never recommended for implementation.

Park Rental Rates – Another revenue that could be reviewed would be a possible increase to park rental rates. If directed, staff could review surrounding area park rental rates and present a recommendation when developing budget alternatives.

Information Technology – Costs in this area continue to rise for several reasons. Additional security enhancements are a necessity in the public sector due to increased cyber attacks on governmental entities. Increased storage capacity needs and use of cloud technology have increased operating costs. Upgrade of technology and conversion of documents posted to website for emergency management, legal requirements, transparency to the public, and other general information for accessibility continues to be a priority. The need to balance costs with security and operational efficiencies will need to be analyzed in the decision making process.

Punta Gorda Isles Canal Maintenance Fund

The City was notified in a change in funding late FY 2019 from a 75% FEMA, 12.5% State, 12.5% City ratio to 90% FEMA, 5% State, and 5% City. This City has received the majority of reimbursements for the seawall replacements/repairs at the new level of funding as of February 2020. This will allow the City to work on reducing the assessment rate during the development of the FY 2021 budget.

The rip rap mitigation is delayed pending permitting, which could be a lengthy process as was recently experienced when permitting Buckley's Pass, and therefore the budget for the expenditures and loan draws were moved to FY 2020 with expected FEMA and State reimbursements and loan repayments in FY 2021. The City continues to work closely with FEMA and the State to extend the completion date for the project.

Results of a study that is reviewing new seawall panel technologies and/or installation methods while maintaining the character of the district will also be used in developing the FY 2021 budget.

Burnt Store Isles Canal Maintenance Fund

The City was notified late September 2019 that the FEMA recovery on the project was increasing to 90% (from 75%) and the State and City share would decrease to 5% each (from 12.5% each). The additional revenue will be considered in the development of the FY 2021 budget and could be used towards unfunded projects or reducing the debt service which could result in a lower assessment.

The rip rap mitigation is delayed pending permitting. The City continues to work closely with FEMA and the State to extend the completion date for the project.

Results of a study that is reviewing new seawall panel technologies and/or installation methods while maintaining the character of the district will also be used in developing the FY 2021 budget.

Utilities Fund

Septic to Sewer – A Master plan and Financial plan was presented and accepted by both the Utilities Advisory Board and City Council. Direction was provided to staff to move forward with developing an assessment program to implement transition to sewer in Charlotte Park (Areas 1-3) identified in the Master plan. The City is in discussion with Charlotte County regarding such an assessment program, since the properties are in unincorporated County but within the City's utility service area. If approved by the County, City staff will develop a project schedule and fiscal impact prior to initiation of the program.

Wastewater Treatment Plant Expansion – The City's consultant provided alternatives and projected costs for the wastewater treatment plant expansion based on current capacity and future growth demands to the utilities advisory board and City Council in January 2020. Alternative 2 for a new 4MGD secondary treatment process was selected with a capital cost estimate of \$38.8 million. Utilities had set aside \$3.5 million in the last five year capital improvement plan utilizing impact fees and current user revenue for this project while awaiting the alternatives. The next step prior to moving forward with engineering and financing is to negotiate an updated land lease with Fish and Wildlife, as current lease for land expires in 2025. Funding sources will be developed that may include user rate increases, financing, impact fees, and/or grants. A rate study will also be conducted to determine possible rate and impact fee updates.

Sanitation Fund

An expected rate increase of \$0.60 per month is due to scheduled contract rate increase for recycling. Projections show rates are not adequate to fund the future needs of replacement of equipment. During the budget process this will be reviewed and options presented.

Building Fund

This fund will be looking at staffing needs for FY 2021 due to increased commercial activity, new code updates that will be released this year, and for increased depth in the various building disciplines, such as structural plans examiner.

1% Local Option Sales Tax Extension

The Communications Manager has initiated meetings of the sales tax committee, who have been evaluating capital projects under consideration for future funding if approved by the voters of Charlotte County in November 2020. The committee's list of recommendations will be considered by City Council in the April 2020 timeframe. Council will review projects for final submission to be included with County projects for the extension ballot. Due to the uncertainty of the voting results, the City will only budget 1% local option sales tax on the authorization through December 31, 2020. If approved by the voters, approved priority projects to be funded from the extension will be added by fiscal year of funding in early FY 2021.