

City of Punta Gorda

LONG RANGE FINANCIAL PLAN

Fiscal Years 2023-2027



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 2023-2027 Long Range Financial Plan presents multi-year fiscal forecasts for the City's major fund groups. In addition, the Plan discusses an examination of current policies for enhanced efficiencies, any changes proposed to financial policies, and budget issues or items currently known for the upcoming budget year. The current strategic planning process results in a current year management plan, and also strategically on a longer-term vision for the upcoming needs of the City.

It is important to note that on September 28, 2022, Hurricane Ian, a category 4 hurricane, impacted much of Florida. The City of Punta Gorda received major damage as did Lee and Charlotte Counties. The City has been focusing on recovery efforts while continuing to move forward with planned projects and normal operations. This has created a challenge for many of the departments and divisions of the City.

This sets the stage for a starting point of discussion and direction in developing the FY 2024 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 Planning Process Update

Section 3: 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 2023. 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 annual water/sewer bill at estimated 7 thousand gallons per month usage.

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

	Naples	Mills	Bonita Springs	Mills	Punta Gorda	Mills	Sarasota*	Mills	Venice	Mills	North Port	Mills	Cape Coral	Mills	Fort Myers	Mills
Based on taxable value of \$250,000																
Property Taxes	\$ 287.50	1.15	\$ 200.00	.8000	\$ 987.50	3.9500	\$ 750.00	3.0000	\$ 1,090.00	4.3600	\$ 941.68	3.7667	\$ 1,342.35	5.3694	\$ 1,749.98	6.9999
Water & Sewer (Avg Monthly annualized)	\$ 898.56		\$ 1,154.64		\$ 1,010.16		\$ 1,592.76		\$ 1,917.36		\$ 1,772.76		\$ 1,563.24		\$ 2,032.20	
Sanitation (Solid Waste)	\$ 396.24		\$ 286.27		\$ 306.72		\$ 294.60		\$ 253.08		\$ 250.00		\$ 271.97		\$ 240.55	
Fire Service	\$ 0		\$ 486.65	1.9466	\$ 0		\$ 118.24		\$ 0		\$ 291.50		\$ 172.13		\$ 203.00	
Roads/Drainage/Stormwater	\$ 0		\$ 50.00		\$ 0		\$ 151.94		\$ 0		\$ 219.28		\$ 135.00		\$ 141.00	
Debt Service	\$ 0		\$ 0		\$ 0		\$ 44.55	.1782	\$ 117.35	.4694	\$ 0		\$ 11.78	.0471	\$ 0	
TOTAL	\$ 1,582.30		\$ 2,177.56		\$ 2,304.38		\$ 2,952.09		\$ 3,377.79		\$ 3,475.22		\$ 3,496.47		\$ 4,366.73	
Based on taxable value of \$500,000																
Property Taxes	\$ 575.00	1.15	\$ 400.00	.8000	\$ 1,975.00	3.9500	\$ 1,500.00	3.0000	\$ 2,180.00	4.3600	\$ 1,883.35	3.7667	\$ 2,684.70	5.3694	\$ 3,499.95	6.9999
Water & Sewer (Avg Monthly annualized)	\$ 898.56		\$ 1,154.64		\$ 1,010.16		\$ 1,592.76		\$ 1,917.36		\$ 1,772.76		\$ 1,563.24		\$ 2,032.20	
Sanitation (Solid Waste)	\$ 396.24		\$ 286.27		\$ 306.72		\$ 294.60		\$ 253.08		\$ 250.00		\$ 271.97		\$ 240.55	
Fire Service	\$ 0		\$ 973.30	1.9466	\$ 0		\$ 260.73		\$ 0		\$ 523.50		\$ 288.13		\$ 203.00	
Roads/Drainage/Stormwater	\$ 0		\$ 50.00		\$ 0		\$ 151.94		\$ 0		\$ 219.28		\$ 135.00		\$ 282.01	
Debt Service	\$ 0		\$ 0		\$ 0		\$ 89.10	.1782	\$ 234.70	.4694	\$ 0		\$ 23.55	.0471	\$ 0	
TOTAL	\$ 1,869.80		\$ 2,864.21		\$ 3,291.88		\$ 3,889.13		\$ 4,585.14		\$ 4,648.89		\$ 4,966.59		\$ 6,257.71	

*City of Sarasota Fire Rescue and Stormwater is provided as a non-advalorem assessment by the County.

General Fund

Some of the additional expenditures approved by City Council for FY 2023 included the following:

- Estimated funding for results of pay plan study and police bargaining negotiations.
- Inflationary costs in gasoline, electric rates, and general liability insurance.
- City Council – additional travel and events, rental space for Council and board meetings.
- City Clerk – records coordinator position and large scanner.
- Human Resources – safety officer position with new vehicle, general employee pension study, wellness, safety and training programs, ADA accommodations, and employee recognition and recruiting efforts.
- Procurement – assistant buyer position.
- Public Works – 2 FTE positions with associated equipment to support facilities and right-of-way, plus a temporary handyman in facilities. Increases were approved for CDL training.
- Public Safety – a detective, an evidence, crime scene and quartermaster technician and 7 firefighter/EMTs with associated equipment (firefighter positions are dependent upon SAFER grant award). Police department increased maintenance for autos, boats, and various specialty equipment, veterinary services for a third canine, and an upgrade for rain gear.
- Urban Design and Zoning/Code Compliance – a grant/planner position and a zoning technician position. Increases for comprehensive planning studies.
- Information Technology – overall increase of 6% for city-wide projects (includes addition of 1 network security/cloud systems administrator position).

The FY 2023 budget five year fiscal forecast includes the following assumptions: a millage of 3.9500 through FY 2027, modest anticipated increases of 5% in taxable property valuations, 1% to 2% increases in shared state revenues and other general fund revenues, use of ARPA funding, 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 \$840,000 per year, and transfers per five year capital improvements plan. The financial plan also includes anticipated personnel/service level enhancements and capital outlay plan. The fiscal forecast projects deficits in the range of approximately \$0.6 million to \$1.4 million per year from FY 2025 through FY 2027. In most fiscal years, due to conservative estimating by the City, some additional funds are added at the end of the fiscal year either due to additional revenues collected or divisions not fully expending their budget. It is also anticipated that with the current millage rate, that the City would be able to retire the Community Redevelopment Agency debt early which would sunset the Tax Increment Financing by FY 2025. These factors would allow the City to meet its goal by FY 2025 if no economic downturns are experienced in this five year planning period. Economic and budgetary challenges will need to be addressed as we move forward with the budget.

**General Fund
Proforma Schedule of Revenues and Expenditures
Budget FY 2023 through Proforma FY 2027**

	Budget FY 2023	Proforma FY 2024	Proforma FY 2025	Proforma FY 2026	Proforma FY 2027
Change in Taxable Value of Property	12.4%	5%	5%	5%	5%
Revenues:					
Ad Valorem Tax	\$15,613,535	\$16,394,210	\$17,213,920	\$18,074,620	\$18,978,350
Other Revenue	12,782,295	12,875,345	12,999,900	13,125,985	13,253,640
Estimated Grants/Use of ARPA	1,189,310	1,089,495	488,740	0	0
Use of Prior Year's Reserve	0	0	649,895	1,309,500	1,394,625
Total Revenues	29,585,140	30,359,050	31,352,455	32,510,105	33,626,615
Expenditures:					
Personnel Expenditures	19,251,600	20,458,265	21,542,520	22,788,750	23,797,955
Operating Expenditures	6,150,270	6,256,660	6,351,980	6,387,085	6,574,310
Capital Outlay	1,201,735	1,103,000	882,000	904,000	740,000
Transfers for Tax Increment Financing	1,176,535	1,247,125	1,321,955	1,401,270	1,485,350
Transfers for Capital Projects	1,031,000	520,000	480,000	255,000	255,000
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	29,585,140	30,359,050	31,352,455	32,510,105	33,626,615
Expenditures in Excess of Revenue	\$0	\$0	\$0	\$0	\$0
Minimum Reserve (13.2% to 15.2%)	\$3,905,300	\$4,159,200	\$4,452,100	\$4,779,000	\$5,111,300

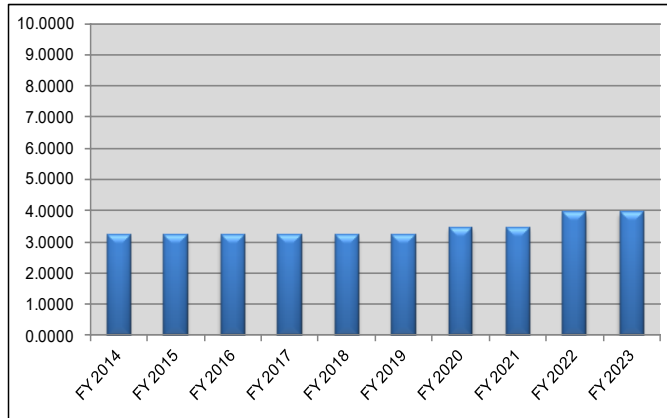
Millage and Taxable Assessed Value

The FY 2023 millage rate is 3.9500 mills. 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 current millage rate is necessitated by the need to enhance current service levels 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. The goal of increased dedicated reserves continues to be of paramount importance.

**Property Tax Millage Rates
Fiscal Years 2014 - Budget 2023**

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.

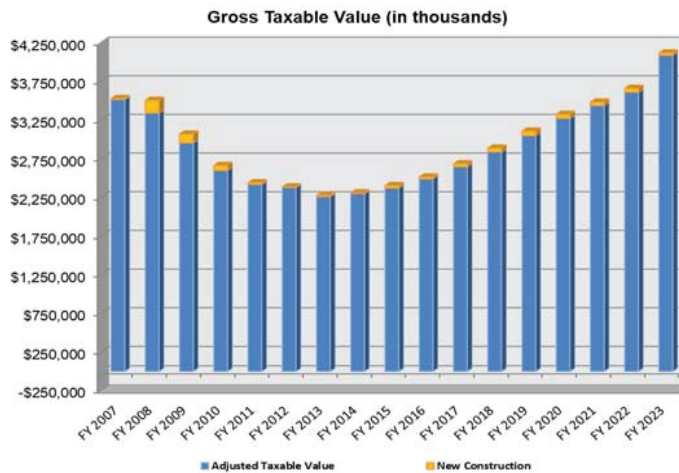
Fiscal Year	Millage Rate
2014	3.1969
2015	3.1969
2016	3.1969
2017	3.1969
2018	3.1969
2019	3.1969
2020	3.4337
2021	3.4337
2022	3.9500
2023	3.9500



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
2007	\$3,515,560,986			\$13,851,000	
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	\$3,325,350,916	\$216,672,537	7.0%	\$54,169,154	1.7%
2021	\$3,483,430,722	\$158,079,806	4.8%	\$46,759,746	1.4%
2022	\$3,661,713,042	\$178,282,320	5.1%	\$52,590,453	1.5%
2023	\$4,117,493,204	\$455,780,162	12.4%	\$31,518,237	0.9%

*Includes New Construction



The Charlotte County Appraiser's July 1st certification showed a 11.6% overall increase for properties on the books from the prior year, and an additional 0.9% provided by new construction, annexations and changes in exemption for calendar year 2021. This was the tenth straight year that property values increased in the City after six consecutive years of declining values (35% decrease from FY 2007 to FY 2013). The net effect of property value changes over the past sixteen years is a cumulative 17.1% increase in taxable values. Protection of Save Our Homes has resulted in a majority of homestead property taxable values being below just values in the current housing market.

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. The policy change established for FY 2023 as approved January 19, 2022 is highlighted in italics.

- 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 Government Finance Officers Association's (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 16.7%.
- *For the General Fund and all other operating funds, except the Utilities Fund, the City will establish an unassigned fund balance minimum of 13.2% of total fund expenditures. (Note: It is intended that this percentage increase each year and eventually attain the GFOA best practice standard of a 16.7% dedicated reserve.)*
- 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.

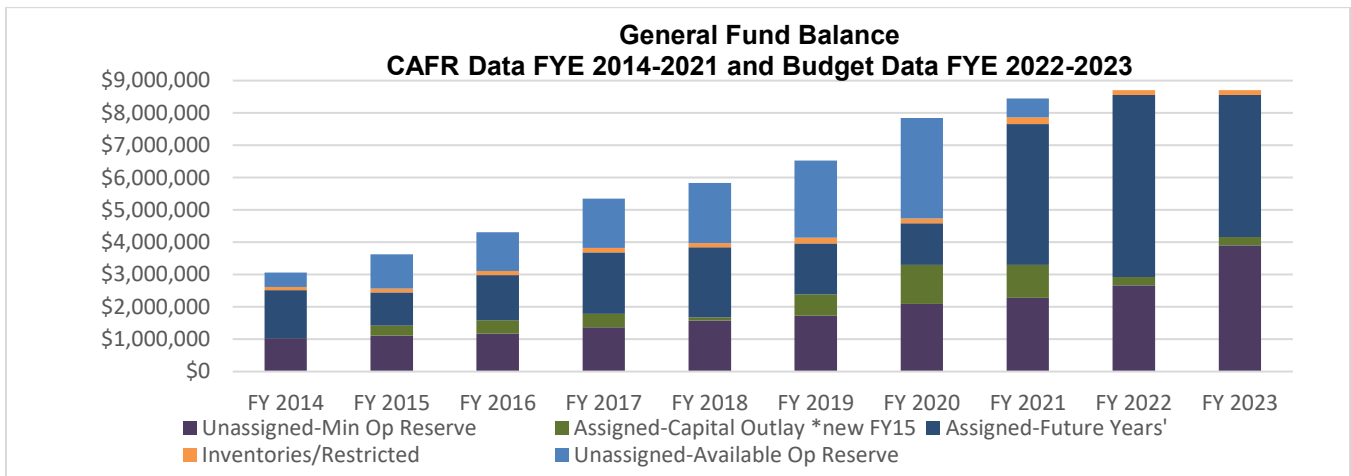
Also as approved in a prior year, Council will consider use of net year end surplus from either extra revenues or unexpended budget to increase the percentage allocated to the minimum requirement earlier than planned. Once that minimum amount is achieved, it is recommended that the City work towards setting remaining funds for use only in one-time expenditures and/or adding capital outlay reserves.

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. Beginning in FY 2023, this practice is continued as part of the five year plan.

Fund Balance Category	FY 2020 Amount	% of Exp.	FY 2021 Amount	% of Exp.	Projected FY 2022 Amount	% of Exp.	Budget FY 2023 Amount	% of Exp.
Inventories/Restricted	\$ 147,087	0.6%	\$ 205,492	0.9%	\$ 150,000	0.6%	\$ 150,000	0.5%
Assigned-Future Years' Use of Op. Reserve	1,285,098	5.6%	4,362,299	18.2%	5,631,219	22.2%	4,392,919	14.8%
Assigned-Capital Outlay Reserve	1,213,000	5.3%	1,017,328	4.2%	260,000	1.0%	260,000	0.9%
Unassigned-Minimum Op. Reserve (Orig)	2,089,460	9.0%	2,280,000	9.5%	2,667,000	10.5%	3,905,300	13.2%
Unassigned-Available Op. Reserve	3,109,092	13.5%	586,710	2.4%	0	0.0%	0	0.0%
Total Fund Balance	\$ 7,843,737	34.0%	\$ 8,451,829	35.2%	\$ 8,708,219	34.3%	\$ 8,708,219	29.4%
General Fund Orig Budgeted Expenditures	\$ 23,038,594 *		\$ 23,994,850 *		\$ 25,377,445		\$ 29,585,140	

*FY 2020 and FY 2021 Budgeted Expenditures excludes transfer of loan draw to PGI Canal Maintenance Fund

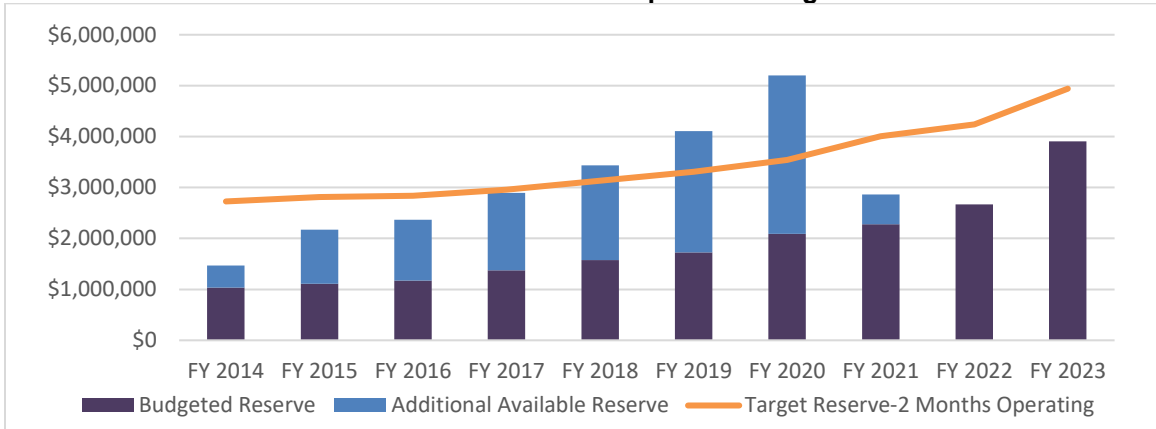
The following graph presents the general fund balance trend information. The minimum operating reserve is regulated by the City's financial policy. For fiscal year 2023, it is set at 13.2% of the total expenditure appropriations, which calculates to \$3,905,300. It is the City Council's policy to continue 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 improve FY 2024-2027, the proforma indicates that at end of FY 2027, the minimum reserve will be at 15.2%.



The second block of the reserves 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 \$840,000. Those amounts unused will be carried in the reserve until the year scheduled for use. In FY 2023, \$260,000 is reserved. The third block of the reserves is the amount identified as needed to balance the subsequent years' budget in the proforma. Because of the five-year plan increasing personnel/service levels, addressing wages in the current labor market, and addressing increased costs, all funds would be needed in the five year proforma. The fourth block is the small amount of funds identified in the Annual Comprehensive Financial Report as inventories or restricted. The final and fifth block is the remaining amount of reserves that are available for use. The City has not appropriated them or assigned them for expenditures, and as such, are considered as part of the current operating reserve for purposes of stabilizing the general fund or for Council approved uses. For FY 2023, all funds are currently assigned to balance future years' budgets, so this segment is \$0.

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 following graph shows the best practice level as a line that was reached in FY 2017 and was achieved through FY 2020. Due to assignment of additional available reserves to future years' budgets for the reasons enumerated above, only the minimum budgeted reserve is showing in FY 2022-2023.

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



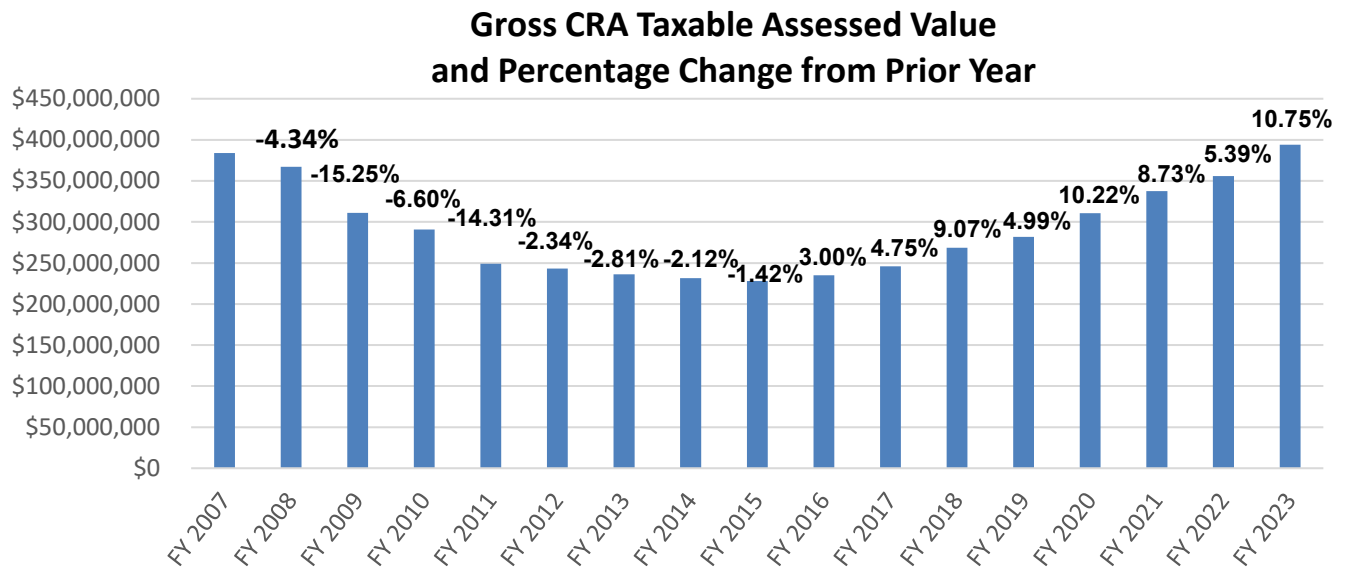
Community Redevelopment Agency

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 fourteen 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	\$310,556,021	\$750,208	\$1,376,602	\$2,126,810
FY 2021	\$337,662,011	\$838,628	\$1,538,849	\$2,377,477
FY 2022	\$355,859,612	\$1,033,013	\$1,647,774	\$2,680,787
FY 2023	\$394,105,787	\$1,176,535	\$1,876,700	\$3,053,235

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. The FY 2023 TIF revenue is based on 10.75% increase in taxable value in the district, no change in the County millage rate, and City millage rate of 3.9500. The proforma continues to anticipate conservative assessed property value increases of 2% in FY 2024 through FY 2027. The resulting estimated debt service reserve grows from \$5,033,874 at end of FY 2023 to \$11,114,754 at end of FY 2027, providing a buffer for economic downturns thereby ensuring that annual debt service can be met. If no downturn is experienced, these projections would allow debt to be retired by FY 2025 allowing the CRA District to sunset prior to 2030.

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 reflect this trend. 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 \$63,462 at end of FY 2023 and grows to \$225,757 by FY 2027.

The Herald Court lease revenue for FY 2023 through FY 2027 projects one vacant unit as leases are coming up for renewal so as not to over project revenues. The City will be using the units previously occupied by Florida Gulf Coast University for FY 2022-2024 to house staff from City Hall as the rehabilitation of that building is scheduled. Although this will reduce lease revenues, the City will continue to cover the common area maintenance costs that would be contributed by those units. Based on these projections, the reserve for the Herald Court Centre shows a balance of \$195,316 in FY 2023 and growing to \$476,276 at end of FY 2027. 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 2023 through Proforma FY 2027**

	Budget FY 2023	Proforma FY 2024	Proforma FY 2025	Proforma FY 2026	Proforma FY 2027
Debt Service Division					
Assessed Property Valuation change	10.8%	2%	2%	2%	2%
Tax Increment Financing (TIF) Revenue	\$3,053,235	\$3,114,300	\$3,176,585	\$3,240,115	\$3,304,915
CRA Lease Payments (Debt Service)	1,584,280	1,626,290	1,666,100	1,708,680	1,753,965
Revenues in Excess of Debt Svc	1,468,955	1,488,010	1,510,485	1,531,435	1,550,950
Reserve - TIF for Debt Svc (Beg)	3,564,919	5,033,874	6,521,884	8,032,369	9,563,804
Reserve - TIF for Debt Svc (End)	\$5,033,874	\$6,521,884	\$8,032,369	\$9,563,804	\$11,114,754
Herald Court Operations Division					
Herald Court Revenues	\$255,190	\$260,895	\$282,755	\$289,875	\$296,825
Herald Court Operating Expenditures	394,540	201,405	208,520	215,905	223,560
Revenues in Excess of Herald Ct Operations	(139,350)	59,490	74,235	73,970	73,265
Reserve - Herald Ct (Beg)	334,666	195,316	254,806	329,041	403,011
Reserve - Herald Ct (End)	\$195,316	\$254,806	\$329,041	\$403,011	\$476,276
CRA Operations Division					
Other CRA Revenues	\$136,075	\$140,150	\$144,235	\$148,335	\$140,575
Other CRA Operating Expenditures	326,500	111,000	94,000	112,000	94,000
Revenues in Excess (Shortfall) of Other Operations	(190,425)	29,150	50,235	36,335	46,575
Reserve - Other Operations (Beg)	253,887	63,462	92,612	142,847	179,182
Reserve - Other Operations (End)	\$63,462	\$92,612	\$142,847	\$179,182	\$225,757

Utilities

The current five-year financial forecast is based on 2-day per week watering; average rainfall; 3.75% rate increases annually; and new financing based on the FY 2023-2027 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. A 2020 Rate Sufficiency Study by Stantec was approved by City Council for FY 2021 with a modification that the water and wastewater user rates do not have automatic increases of 3.75% and be reviewed as part of the budget process each year. FY 2022 was reduced to 2%. For FY 2023 due to increases in operating costs, personnel increases, and the significant increase in the wastewater treatment plant improvement/expansion project causing increased debt service requirements, a 3.75% rate increase was adopted and projected in future years. The Septic to Sewer financial plan for properties in the Utilities service area that are outside the City limits has been pushed back in the 2023-2027 capital improvement plan pending obtaining grants for the project. The City will continue to look for ways to reduce expenses and explore changes to the wastewater treatment plant project to reduce expenses as well as some alternative funding options. If these items are not accomplished additional rate increases will be needed beginning in FY 2026.

Utilities OM&R Fund
Proforma Schedule of Revenues and Expenses
Budget FY 2023 through Proforma FY 2027

	Budget FY 2023	Proforma FY 2024	Proforma FY 2025	Proforma FY 2026	Proforma FY 2027
Revenues:					
Chg for Serv - Water	\$12,126,960	\$12,642,360	\$13,177,385	\$13,732,780	\$14,309,310
Chg for Serv - Sewer	8,795,635	9,169,450	9,557,500	9,960,325	10,378,475
Other Revenue	910,175	896,265	1,433,635	1,985,290	2,320,480
Total Revenues	21,832,770	22,708,075	24,168,520	25,678,395	27,008,265
Expenses:					
Operations	16,678,680	16,678,995	17,516,435	18,143,600	18,796,375
Renewal & Replacement of Infrastructure	1,120,000	1,120,000	1,120,000	1,120,000	1,120,000
Transfer for Capital Improvement Projects	1,685,000	6,370,000	850,000	2,485,000	800,000
Existing Debt Service-RO SRF loan	999,595	999,595	999,595	999,595	999,595
Transfer to SRF Fund-reserve incr(decr)	1,500,000	1,500,000	1,460,400	0	0
Est. new debt service WWTP	0	0	2,230,000	4,460,400	4,460,400
Est. new debt service WTP Filtration Rehab	0	0	778,000	1,556,000	1,556,000
Total Expenses	21,983,275	26,668,590	24,954,430	28,764,595	27,732,370
Revenues in Excess (Shortfall) of Expenses	(150,505)	(3,960,515)	(785,910)	(3,086,200)	(724,105)
Operating Reserves-Beg	8,646,200	8,495,695	4,535,180	3,749,270	663,070
Operating Reserves-End	\$8,495,695	\$4,535,180	\$3,749,270	\$663,070	(\$61,035)

Utilities Reserves

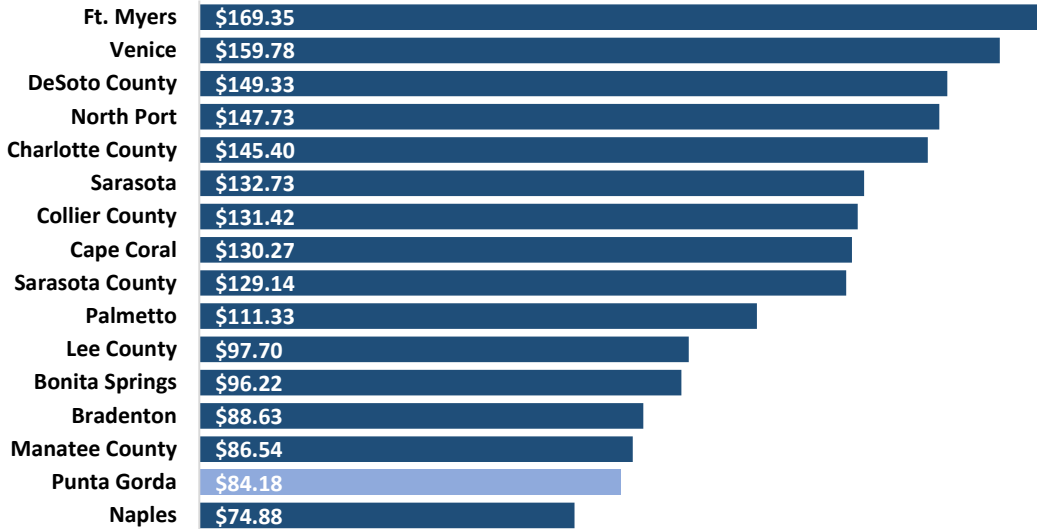
The City has legal and adopted financial policies utilizing reserves for the following purposes:

- 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 \$700,000 funding level for FY 2023 through FY 2027. This was adjusted for FY 2023 due to the vacuum truck replacement with a corresponding decrease in 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 an increase of \$1,500,000 projected in FY 2023 in anticipation of SRF loan funding requirements for the wastewater treatment plant improvement/expansion.
- The water and sewer impacts have restricted use and are kept in a reserve for growth related capital projects, such as Taylor Rd water main upgrade, new water main at Tee & Green, debt service on the Groundwater Reverse Osmosis (RO) Water Treatment Plant, wastewater force mains on Jones Loop Road and Riverside Drive, septic to sewer project areas 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 FY 2023 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 12,295 residential units. For the 660 commercial units, collection is available 6 days per week. 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 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 35%. The program continues in FY 2023 with a rate increase of \$0.51 per month or \$6.12 per year, due to a contract increase. Due to the continued annual increases in recycling costs, the City will be exploring alternatives for this service. In addition, a \$1.00 per month or \$12.00 per year increase in refuse/yardwaste rates was adopted due to costs escalating in all areas due to inflation, labor increases, fuel increases, equipment (packers) increases, etc that have been ranging from 8% to 120%.

The FY 2023 budget reflects the increases above. The five year plan reflects the capital replacements needed which will be reviewed each year to analyze repair costs to determine if a replacement could be delayed. As with the general and utility fund, City Council approved funding of a capital outlay reserve in order to stabilize the funding source. The increased expenses have necessitated projected rate increases each year through FY 2027. These increases will be reviewed each budget cycle.

Sanitation Fund
Proforma Schedule of Revenues and Expenses
Budget FY 2023 through Proforma FY 2027

	Budget FY 2023	Proforma FY 2024	Proforma FY 2025	Proforma FY 2026	Proforma FY 2027
Revenues:					
Chg for Serv - Refuse Collection	\$4,281,275	\$4,520,240	\$4,762,445	\$5,009,365	\$5,261,005
Other Revenue	44,400	42,600	42,600	42,600	42,600
Total Revenues	4,325,675	4,562,840	4,805,045	5,051,965	5,303,605
Expenses:					
Operations	4,337,740	4,436,145	4,636,700	4,847,570	5,069,345
Capital	361,000	341,250	183,750	0	395,040
Total Expenses	4,698,740	4,777,395	4,820,450	4,847,570	5,464,385
Revenues in Excess (Shortfall) of Expenses	(373,065)	(214,555)	(15,405)	204,395	(160,780)
Operating Reserves-Beg	843,186	750,121	535,566	520,161	474,556
Capital Outlay Reserves-Beg	280,000	0	0	0	250,000
Capital Outlay Reserves-End	\$0	\$0	\$0	\$250,000	\$250,000
Operating Reserves-End	\$750,121	\$535,566	\$520,161	\$474,556	\$313,776

To compare the City's rates with surrounding jurisdictions, a survey was taken during February 2023. All rates include once per week service for yardwaste and recycling, and either once or twice per week refuse pickup, as noted below.

Jurisdiction	FY 2023 Cost/Year	Frequency of Service per Week	Outsourced
Naples	\$396.24	2	No
Punta Gorda	\$306.72	2	No
City of Sarasota	\$294.60	1	No
Charlotte County	\$292.28	1	Yes
Cape Coral	\$254.75	1	Yes
Venice	\$253.08	2	No
North Port	\$250.00	1	No
Fort Myers	\$240.55	1	No
Lee Co. (Avg 6 districts)	\$237.55	1	Yes
Sarasota County	\$233.59	1	Yes
Collier County	\$230.82	2	Yes
Manatee County	\$171.96	2	Yes

Canal Maintenance Districts Funds

Punta Gorda Isles Canal Maintenance District

The FY 2023 budget for the Punta Gorda Isles (PGI) canal maintenance assessment district reflects City Council approval to increase the seawall replacement program by an additional 3,890 lineal feet. This increases the annual operating assessment from \$650 to \$950. This was lower than the Advisory Committee recommendation. Continued increases to the program are expected based on the seawall study completed in FY 2021 as well as increased costs currently being realized in the prevailing economic environment. This will be reviewed annually.

The City continues to work closely with FEMA and the State regarding the rip rap mitigation portion of the Hurricane Irma project. Permitting is still pending and the budget for the expenditures and loan draws and expected FEMA and State reimbursements may be moved out an additional year.

The five-year proforma proposes increasing assessments through FY 2027. A reserve for contingencies is budgeted in each year for emergency repairs not scheduled and can be authorized for use by the City Manager. Contracted seawall inspections for condition assessment were added in two phases with estimated costs of \$30,000 and \$20,000 in every other year respectively. Channel construction to access spoil site project is scheduled in the five-year program. The Ponce de Leon Inlet widening and dredging project is on hold and not included in the budget or five-year program. Although it is a priority project, prior studies need to be reviewed to provide justification as a maintenance project, Chapter 6 would need to be amended, or creation of additional assessment area may be required.

**PGI Canal Maintenance Fund
Proforma Schedule of Revenues and Expenditures
Budget FY 2023 through Proforma FY 2027**

	Budget FY 2023	Proforma FY 2024	Proforma FY 2025	Proforma FY 2026	Proforma FY 2027
Assessment Rate	\$950	\$1,100	\$1,250	\$1,400	\$1,550
Revenues:					
Operating Assessment	\$4,941,440	\$5,721,060	\$6,500,675	\$7,280,290	\$8,059,905
Other Revenue	10,920	12,600	12,825	11,210	9,950
Total Revenues	4,952,360	5,733,660	6,513,500	7,291,500	8,069,855
Expenditures:					
Operations	1,262,870	1,296,970	1,357,555	1,400,090	1,465,265
Inlet Dredging	75,000	75,000	75,000	75,000	75,000
Seawalls and Stabilization	3,779,090	4,606,955	5,459,655	6,337,945	6,528,080
Capital/Special Projects	115,000	231,500	255,000	225,000	225,000
Reserve for Contingencies	50,000	50,000	50,000	50,000	50,000
Total Expenditures	5,281,960	6,260,425	7,197,210	8,088,035	8,343,345
Revenues in Excess (Shortfall) of Expenditures	(329,600)	(526,765)	(683,710)	(796,535)	(273,490)
Operating Reserves-Beg	2,897,076	2,667,476	2,372,211	1,907,001	1,335,466
Reserve Seawall Replacement-Beg	775,000	675,000	443,500	225,000	0
Reserve Seawall Replacement-End	\$675,000	\$443,500	\$225,000	\$0	\$0
Operating Reserves-End	\$2,667,476	\$2,372,211	\$1,907,001	\$1,335,466	\$1,061,976

Burnt Store Isles Canal Maintenance District

The FY 2023 budget for the Burnt Store Isles (BSI) canal maintenance assessment district reflects the Advisory Committee recommendation and City Council approval to increase the seawall replacement program 540 lineal feet and use of an interfund loan for the additional funds for inlet widening project that will allow barge access to be repaid through assessments over five years. This increases the annual operating assessment from \$560 to \$860 with \$100 for the project repayment. Continued increases to the program are expected based on the seawall study completed in FY 2021 as well as increased costs currently being realized in the prevailing economic environment. This will be reviewed annually.

The City continues to work closely with FEMA and the State regarding the rip rap mitigation portion of the Hurricane Irma project. Permitting is still pending and the budget for the project and expected FEMA and State reimbursements may be moved out to FY 2023. The District’s assessments are sufficient to fund the City’s share of the project.

The five-year proforma proposes increasing assessments for inflationary costs through FY 2027. Additional assessments are expected and will be reviewed each year. A reserve for contingencies is budgeted in each year to be used for emergency repairs not scheduled in the program and can be authorized for use by the City Manager. Contracted seawall inspections for condition assessment were added with estimated cost of \$10,000 every other year beginning in FY 2024. The construction of barge access/inlet widening project is included. Engineering and construction of channel corner widening project and accumulation of funds for purchase of staging site are under consideration and are not budgeted in FY 2023 or beyond. If projects are approved at a later date funding sources would need to be determined. 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 2023 through Proforma FY 2027**

	Budget FY 2023	Proforma FY 2024	Proforma FY 2025	Proforma FY 2026	Proforma FY 2027
Operating Rate	\$760	\$785	\$810	\$835	\$860
Special Project Rate	\$100	\$90	\$90	\$90	\$90
Revenues:					
Operating Assessment	\$784,115	\$809,890	\$835,665	\$861,440	\$887,215
Special Project Assessment	103,105	92,795	92,795	92,795	92,795
Interest	1,240	1,300	1,105	580	95
Financing	347,000	0	0	0	0
Total Revenues	1,235,460	903,985	929,565	954,815	980,105
Expenditures:					
Operations	113,215	125,390	119,435	133,620	127,965
Inlet Dredging	25,000	25,000	25,000	25,000	25,000
Seawalls and Stabilization	680,110	700,630	721,770	743,550	765,990
Barge Access-Inlet Widening Construction	450,000	0	0	0	0
Debt Service	0	91,200	91,200	91,200	91,200
Reserve for Contingencies	50,000	50,000	50,000	50,000	50,000
Total Expenditures	1,318,325	992,220	1,007,405	1,043,370	1,060,155
Revenues in Excess (Shortfall) of Expenditures	(82,865)	(88,235)	(77,840)	(88,555)	(80,050)
Operating Reserves-Beg	452,265	369,400	281,165	203,325	114,770
Operating Reserves-End	\$369,400	\$281,165	\$203,325	\$114,770	\$34,720
Projects Requiring Approval & Funding:					
Channel Corner Widening Proj	100,000	100,000	200,000	325,000	0
BSI Land Acquisition for Staging	100,000	100,000	100,000	100,000	100,000
Est. Beg. Reserves with projects	452,265	169,400	(118,835)	(496,675)	(1,010,230)
Est. End. Reserves with projects	\$169,400	(\$118,835)	(\$496,675)	(\$1,010,230)	(\$1,190,280)

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 2023 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 each year 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 annually and unused funds are accumulated for larger repairs. Engineering for the replacement of concrete sidewalk by storage building has not been completed. If cost for the project exceeds the \$100,000 budget, a supplemental appropriation will be required. The five-year proforma maintains the July 2016 rate schedules but will be reviewed during FY 2023 for increases to account for aging infrastructure and to eliminate continued use of reserves.

**Laishley Park Marina Fund
Proforma Schedule of Revenues and Expenses
Budget FY 2023 through Proforma FY 2027**

	Budget FY 2023	Proforma FY 2024	Proforma FY 2025	Proforma FY 2026	Proforma FY 2027
Revenues:					
Slip & Mooring Rentals	\$451,795	\$451,795	\$451,795	\$451,795	\$451,795
Intergovernmental Revenue	12,000	12,000	12,000	12,000	12,000
Other Revenue	25,720	25,945	26,175	26,405	26,640
Total Revenues	489,515	489,740	489,970	490,200	490,435
Expenses:					
Laishley Park Marina Expenses	273,995	280,415	286,385	292,545	298,900
Marina Park Contract Expenses	251,005	258,385	265,990	273,815	281,880
Capital Outlay	6,000	6,000	6,000	6,000	6,000
Total Expenses	531,000	544,800	558,375	572,360	586,780
Revenues in Excess (Shortfall) of Expenses	(41,485)	(55,060)	(68,405)	(82,160)	(96,345)
Operating Reserves-Beg	380,630	339,145	284,085	215,680	133,520
Operating Reserves-End	\$339,145	\$284,085	\$215,680	\$133,520	\$37,175

Building

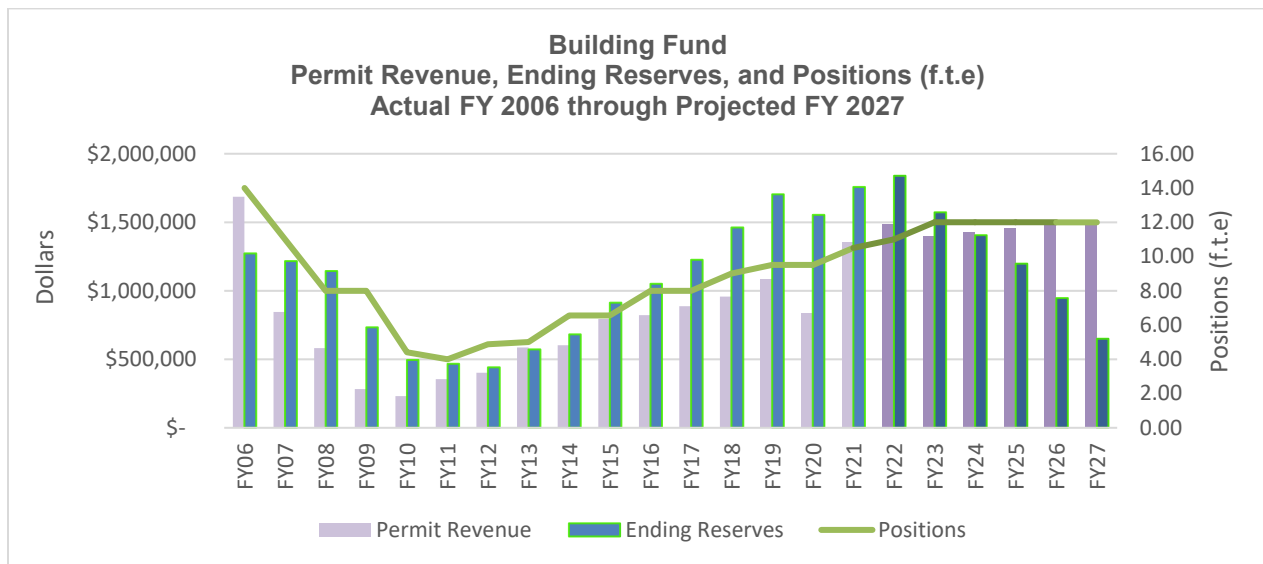
The Building fund is operated as an enterprise fund and includes all aspects of permitting, inspections, plans review and licensing of contractors to support the State and City building codes. The City has established various permit fees to pay for services provided. Staffing had been reduced from thirteen 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 and staff has increased to twelve positions through FY 2023. The FY 2023 operating budget included increases for fuel, contractual services to provide support for specific discipline needs that may arise as newer staff continues to train after retirements in the prior year of key positions (building official and a plans examiner/inspector), and training and travel to support the training needs of new and existing staff. The capital outlay approved included replacement of a pickup truck, a new shared vehicle for staff, and new digital plans review software.

The five-year proforma projects permit revenues increasing 2% each year through FY 2027. Staffing and contractual services will be monitored for needs based on permit volume and complexity.

Building Fund
Proforma Schedule of Revenues and Expenses
Budget FY 2023 through Proforma FY 2027

	Budget FY 2023	Proforma FY 2024	Proforma FY 2025	Proforma FY 2026	Proforma FY 2027
Revenues:					
Permits, Fees & Spec.Assessments	\$1,463,850	\$1,491,850	\$1,520,410	\$1,549,540	\$1,579,255
Other Revenue	70,250	70,250	70,250	70,250	70,250
Total Revenues	1,534,100	1,562,100	1,590,660	1,619,790	1,649,505
Expenses:					
Operations	1,662,580	1,729,125	1,798,525	1,870,910	1,946,410
Capital	138,000	0	0	0	0
Total Expenses	1,800,580	1,729,125	1,798,525	1,870,910	1,946,410
Revenues in Excess (Shortfall) of Expenses	(266,480)	(167,025)	(207,865)	(251,120)	(296,905)
Operating Reserves-Beg	1,839,266	1,572,786	1,405,761	1,197,896	946,776
Operating Reserves-End	\$1,572,786	\$1,405,761	\$1,197,896	\$946,776	\$649,871

As experienced in the previous economic downturn (FY 2008-2013), the level of reserves projected is necessary to continue expected 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 2021 and projected FY 2022 through FY 2027. 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.



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 increased from 10.34% to 10.98% beginning in FY 2021, and the next five cents remains at 6.74%. The distribution allocation is determined by the five-year average transportation expenditures or interlocal agreement. A history of revenue received since FY 2014 is displayed in the following chart.

Fiscal Year	6 Cents	5 Cents	Total
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	\$ 598,700	\$ 272,800	\$ 871,500
2020	\$ 564,900	\$ 259,600	\$ 824,500
2021	\$ 612,600	\$ 280,300	\$ 892,900
2022	\$ 625,000	\$ 280,600	\$ 905,600
2023	\$ 666,000	\$ 287,700	\$ 953,700

The effect of elasticity of gas consumption (the tax is charged on gallons not dollars) can be seen in years of increased gas prices resulting in a decline of revenue and in years of decreased gas prices resulting in an increase of revenue. During FY 2020 the City experienced a decrease in revenues as compared to FY 2019 due to the COVID pandemic that resulted in statewide and local shutdowns and reduced travel. Projections for FY 2022 and FY 2023 were projected with increases despite higher gas prices due to continued business and consumer spending. FY 2023 was also budgeted at 95% of the state projections and has accounted for the October 2022 gas tax holiday passed by the Florida legislature.

The Six Cent Gas Tax Fund five-year proforma projects gas tax revenue with growth of 2% FY 2024 through FY 2027. The use of reserves covers shortfalls through FY 2026. It is hoped that some expenditures that have seen high increases over the past year due to material shortages, labor costs, inflation, and gas prices, will come down.

**Six Cent Gas Tax Fund
Proforma Schedule of Revenues and Expenditures
Budget FY 2023 through Proforma FY 2027**

	Budget FY 2023	Proforma FY 2024	Proforma FY 2025	Proforma FY 2026	Proforma FY 2027
Revenues:					
Local Option Gas Tax	\$666,035	\$679,355	\$692,940	\$706,800	\$720,935
Other Revenue	314,095	321,250	328,335	335,335	343,065
Total Revenues	980,130	1,000,605	1,021,275	1,042,135	1,064,000
Expenditures:					
Operating Expenditures	1,226,980	1,102,680	1,129,145	1,156,405	1,184,480
Total Expenditures	1,226,980	1,102,680	1,129,145	1,156,405	1,184,480
Revenues in Excess (Shortfall) of Expenditures	(246,850)	(102,075)	(107,870)	(114,270)	(120,480)
Operating Reserves-Beg	596,567	349,717	247,642	139,772	25,502
Operating Reserves-End	\$349,717	\$247,642	\$139,772	\$25,502	(\$94,978)

The Additional Five Cent Gas Tax Fund five-year proforma projects 2% increases FY 2024 through FY 2027, 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 2023 through Proforma FY 2027**

	Budget FY 2023	Proforma FY 2024	Proforma FY 2025	Proforma FY 2026	Proforma FY 2027
Revenues:					
Local Option Gas Tax	\$287,660	\$293,415	\$299,285	\$305,270	\$311,375
Transfer from General Fund Ad Valorem	459,000	459,000	459,000	459,000	459,000
Other Revenues	120	170	170	175	185
Total Revenues	746,780	752,585	758,455	764,445	770,560
Expenditures:					
Paving	745,000	765,000	770,000	775,000	780,000
Total Expenditures	745,000	765,000	770,000	775,000	780,000
Revenues in Excess (Shortfall) of Expenditures	1,780	(12,415)	(11,545)	(10,555)	(9,440)
Operating Reserves-Beg	53,675	55,455	43,040	31,495	20,940
Operating Reserves-End	\$55,455	\$43,040	\$31,495	\$20,940	\$11,500

Section 2: Strategic Planning

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 offers a realistic view of the organization's and community's expectations. The plan provides a tool for more effective and economical operations. It demonstrates to the public that careful consideration has been given to future development and direction of the organization.

City Council has spent considerable time developing and approving a framework that reflected a shift to an outcomes based annual plan. The framework continues to serve as the operational, strategic yearly plan and provides an overview of future action items. The missions, vision and values reflect the learning acquired through citizen engagement.

The City Manager challenges each department and division leader to forecast their needs to meet the goals and objectives of long-term plans. The plan includes developing a clear understanding of operating impact of each Capital Improvement Project, staffing needs, and equipment needs. The results are utilized to create a business plan that communicates to the City Council how Council's vision for the City will be delivered over the next three years. The internal strategic planning process positions the City to better understand the revenue needs over time to maintain the assets of the City and enhance programming provided to the community. It provides residents with a clear picture of how City services will be improved over time.

The Capital Improvement Projects program delineates the projects worked on in a given fiscal year. It includes strategic objectives, periodic status reports highlighting progress to date, funding and timelines for completion. The 1% Sales Tax projects are prioritized by City Council and scheduled over a six-year plan. Studies such as those focusing on Septic to Sewer, Seawall Methods, and the Wastewater Treatment Plant are also critical drivers of planning.

In FY 2023, as part of the planning process, each department and division will undertake a comprehensive look at the technology that fosters and aids in the work within each area. Identifying technology opportunities will assist in creating work plans that allow the City to increase efficiencies and value to the residents.

Section 3: Budget Issues

Citywide

Items that are currently not in the projected budget but will need to be considered as the FY 2024 budget is developed are:

Hurricane Ian Recovery – On September 28, 2022, Hurricane Ian made landfall in southwestern Florida as a Category 4 hurricane. The City had substantial damage and debris to clean up. The City is working with its insurance carrier and FEMA for some work that has been completed and other work that is still in process for reimbursements. Much of this work is in addition to existing projects and normal scheduled workload. Temporary staff and contractors will be needed to complete some of the larger projects. The current FEMA reimbursement percentage for permanent work is 75%. The State generally funds 12.5% and the City will need to fund the remaining 12.5%. The City will use reserves as needed for its share.

Inflation – The nation, and in particular Southwest Florida, has continued to see inflation increases resulting in higher costs of labor, products, and services. Many vendors continue to request increases and the City works with vendors to request lower increases and provide documentation to support the requests. These type of increases are monitored in case the need turns around and supports moving pricing back to original or lower cost.

Scarcity of Resources – As with the above inflation requests, some commodities are seeing a shortage of product or resources that are causing delays in projects and/or causing even higher costs to the vendor who then passes those costs to the City. These types of cost increases are also monitored for turn around in the commodity environment. The City continues to look for additional vendors who may be able to provide the product or resource sooner.

Reopen Defined Benefit Pension Plan for General Employees – As a continuation of review of employee benefits, consideration of reopening the General Employee Pension Plan. The reopening would be reviewed for the appropriate multiplier and employee contribution for general employees. This might involve a one-time election for employees to stay in the defined contribution plan or move to the defined benefit plan.

General Fund

One of the City's financial management policies continues to recommend recurring revenues be aligned with recurring expenditures. However, the fiscal forecast with the enhanced personnel/service levels is predicated on retention of the current millage rate and the use of reserves. If the Community Redevelopment Agency debt is paid off in FY 2025 or FY 2026, that will help to reduce the amount of reserves being used in those years.

The estimated value of a mill for FY 2024 is \$4,150,430. 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.

Departmental Restructuring, Service Level Enhancements, and/or Staffing increases (Citywide) – A five year plan was developed as part of the FY 2022 budget. These positions will continue to be evaluated and any changes or additional requests will be brought to Council as each fund is presented

through July. Current growth will be evaluated and how it affects public safety staffing needs, and application to grants such as the COPS and SAFER.

Cost of Living Adjustment (COLA) for Retirees of City Defined Benefit Pension Plans – The police pension board has requested a cost of living adjustment to retiree payments. In the past, all three plans were adjusted at the same time. A review of all three plans would be made and a recommendation with estimated annual cost increases to the City would be needed and brought to City Council for its consideration. Although this will be split among all funds, a large percentage of the cost will be borne by the General Fund.

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 and safety of staff and visitors to government buildings. 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. Additionally, technology that could improve the City operations as well as prepare for future needs of remote working need to be considered. 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 rip rap mitigation permitting was approved February 3, 2023. The rip rap project from Hurricane Irma can now move forward. An interfund loan rather than line of credit may be used while awaiting FEMA and State reimbursements.

As a result of Hurricane Ian, there was approximately 6.5 miles of seawall damaged. The City is working closely with FEMA to make repairs. As such, the current year assessments will be used to cover seawall repairs not covered by FEMA and the City's 12.5% for those that will be covered by FEMA.

Proposed rate assessment changes will be reviewed and presented during the budget process.

Burnt Store Isles Canal Maintenance Fund

The rip rap mitigation permitting was approved February 3, 2023. The rip rap project from Hurricane Irma can now move forward. An interfund loan rather than line of credit may be used while awaiting FEMA and State reimbursements.

As a result of Hurricane Ian, there was approximately 0.5 miles of seawall damaged. The City is working closely with FEMA to make repairs. As such, the current year assessments will be used to cover seawall repairs not covered by FEMA and the City's 12.5% for those that will be covered by FEMA.

Proposed rate assessment changes will be reviewed and presented during the budget process.

Additionally, the projects (channel corner widening and staging lot purchase) that have not been approved should also be reviewed to determine if they will move forward and the impact that may have on the assessment rate.

Utilities Fund

Wastewater Treatment Plant Expansion – Land lease renewal has been completed. Construction Manager at Risk (CMAR) was awarded. Final guaranteed minimum pricing for construction is being developed through the CMAR bid process. Project made the State Revolving Fund (SRF) Loan priority list and application was submitted December 2022. Due to projected increases in costs, City is looking for grant opportunities and exploring other financing alternatives to extend financing beyond 20 years allowed by SRF. Funding sources were developed that included user rate increases, impact fees, and financing as part of the 2020 rate study. User rates will be evaluated each year for sufficiency of funding this debt service.

Septic to Sewer – Previously, the County has indicated they would support the septic to sewer plan for Charlotte Park. An updated preliminary design report from Giffels-Webster was presented recommending vacuum and some gravity sewer in this area. Included in the report were updated costs estimates. The project is currently on hold and pushed to FY 2027 in the proforma as the City looks to find grant funding to make the funding plan work. Additional steps would include community meetings with the affected properties, assessment process, grant applications and/or loan applications.

Automated Meter Infrastructure – The automated meter infrastructure equipment has been experiencing failures at a higher rate than anticipated when the project was developed. This is causing a backlog of estimated and zero consumption reads. Staff is manually reading meters that are experiencing automated read problems. Utilities is researching alternatives to help resolve these issues.

Building Fund

The Building Fund is experiencing high volume of permit requests in the aftermath of Hurricane Ian. An additional temporary administrative employee was approved to help with the additional workload. The division continues to focus on efforts to provide on-line review of plans, expanding on-line payment for more types of permits, and provide a queuing system for customers. The division will review staffing needs as the FY 2024 budget is developed.

Sanitation Fund

Recycling costs and land fill fees continue to increase. Projections show rates are not adequate to fund the future needs of replacement of equipment and currently show the need for continued rate increases. During the budget process this will be reviewed and options presented.

Capital Projects

Due to labor shortages, supply chain issues causing material shortages, and high demand for infrastructure projects caused by funding provided by the American Rescue Plan and Hurricane Ian, many agencies are experiencing bid responses that are higher than their budgets and also reduced number of responses to bid solicitations.