



**CITY OF PUNTA GORDA
OFFICE OF THE CITY MANAGER**

To: City Council Members
From: Howard Kunik, City Manager
Date: August 4, 2017
Subject: FY 2018 Proposed Budget

MISSION STATEMENT

“To enhance Punta Gorda’s identity as a vibrant waterfront community, unique in character and history, and one of the most desirable places to live, work and visit.”

Members of City Council,

This is my thirteenth opportunity as City Manager to present you an annual financial plan. As the Southwest Florida region recovers from economic adversity, we continue to make great strides, and I appreciate the opportunity to serve you and this wonderful community. This budget message provides a narrative explanation that summarizes the philosophy driving our recommendations. As you review these recommendations, I encourage each of you to keep several important facts at the forefront of your thoughts. These facts will aid you in your efforts to evaluate our proposed service delivery plan and reach sound decisions to guide the City’s future:

- The Charlotte County Property Appraiser reported that taxable property values increased Citywide by 7.4%, which is the fifth straight year of increasing property values, reversing a previous trend of six straight decreases in overall value.
- The Community Redevelopment Area (CRA) experienced a 9.7% increase from previous year property values, the third straight year of value increases.
- Increased value from new construction, annexations and other adjustments in the City is \$50.6 million, up from \$38.4 million the previous year.
- The proposed FY 2018 General Fund Budget, net of ending reserve, totals \$21 million, which is \$1.8 million or 9.4% more than the original FY 2017 budget. The cumulative increase in the general fund since FY 2008 is 2.4%.
- Incorporated in the overall budget is a proposed 3% merit increase for employees.
- The State released its final state-shared revenue estimates in July, based on 100% of projected collections. Due to past experience in which the State revised projections at various times during a fiscal year, the budget reflects approximately 92% of State estimates to cushion any further swings in the economy.

- To assist you in measuring our performance, City Council approves an annual Strategic Plan. Action items to be undertaken during FY 2018 as part of the five strategic priority areas identified in the Plan are incorporated into the annual budget and the City’s five-year capital improvements program.
- The Long Range Financial Plan has been updated for the City’s major fund groups. The Plan highlights revenue and expenditure trends over a five-year timeframe and recommends strategies to minimize projected budgetary gaps, tax and/or fee increases. Information gleaned from the Plan was used to formulate guidelines for FY 2018 budget preparation.
- Also included in the Long Range Plan was an assessment of the City’s financial management policies and recommended revisions that would lead toward future compliance with nationally recognized standards. Council recognized the desire to implement these changes during FY 2017, and they are carried forward into the FY 2018 budget development.
- The change in Consumer Price Index (CPI) as reflected in the State “Save Our Homes” Legislation is 2.1%. This means that no matter how high the market value of a homestead property increases, the assessed value can only rise 2.1%.

The gradual economic turnaround undoubtedly challenges our community’s ability to forecast, plan for, and provide services that meet public needs. Along with those challenges comes the additional necessity of prudent and sensible funding for needed services. This proposed budget carefully balances available resources to continue moving the community along the path to an excellent quality of life at a reasonable level of cost.

STRATEGIC PLAN

The Strategic Plan (herein referred to as the “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 and five-year capital improvements program. 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. This diagram shows how the pieces of the Plan fit together.



On April 27, 2005, City Council approved moving forward with development of its first strategic plan and solicited input from residents, boards and committees, civic groups and staff on priorities to be addressed. Since 2005, the City has now completed eleven strategic plans. Action items accomplished as part of the 2017 Plan are highlighted within each respective strategic priority area.

Financial/Economic Sustainability

- Updated the long range financial plan for the major fund groups and continued to assess the City's financial management policies with nationally recognized standards. Revised such policies, primarily reserves, to gradually address national standards.
- Approved plan to automate sanitation collection to include 32-gallon trash receptacle carts. Effort to increase efficiencies in service delivery and enhance employee safety. Implementation projected for Spring/Summer 2018.
- Approved moving forward with process to automate utility meter reading to enhance accuracy of reads and billing.
- Adopted ordinance to require pre-annexation agreements for new water and/or sewer service with commitment to annex into City once contiguous. Approved voluntary annexation agreement with Walmart/Murphy Oil along Jones Loop Road. Land use, zoning and final annexation projected in 2018. Commercial annexations are important for diversification of the City's tax base since 86% of taxes levied are currently from the residential sector.
- Initiated discussion of revised regulations that allow for increased building height in City Center zoning district in conjunction with pedestrian and architectural amenities.
- Approved use of Special Use Fund to construct four affordable rental housing units in Andrews Building. Construction projected for August 2017 completion.
- Approved variance to allow for construction of Marriott/SpringHill Suites hotel on northeast corner of Marketplace property in City Center. Projected for February 2018 completion.
- Received proceeds from sale of land to Fishermen's Village in amount of \$3.5 million; placed monies in Special Use Fund to be earmarked for yet to be determined one-time investment.
- Conducted Job Fair to inform and attract prospective employees for future City employment.

Infrastructure Sustainability

- Completed annual street resurfacing program. Brick installation on 300 block of Goldstein forthcoming.
- Achieved 90% design for Groundwater Reverse Osmosis (RO) Water Treatment Plant. Well field construction for first two wells complete. Deep injection well complete.
- Presented assessment methodology for Additional Harbor Access (PGI Bird Section Cut Through). Secured contract with economist to evaluate property values. Received Florida Department of Environmental Protection permit.
- Initiated construction of Burnt Store Isles rim canal dredging project.
- Provided periodic status reports on six-year 1% Local Option Sales Tax capital projects plan. Projects completed include reconstruction of seawalls along Harborwalk between Gilchrist Park gazebo and Waterfront Hotel; new pavilions in Gilchrist Park and Harborwalk widening under US 41S bridge. Projects under design include widening stormwater drainage improvements in Boca Grande area, Madrid sidewalk extension to BSI shopping center along US 41, Gilchrist Park playground and restrooms, Harborwalk East Mary Street connection, Ponce Park.
- Initiated design of Jones Loop Road sewer forcemain,
- Developed and presented FY 2018-2022 Capital Improvements and Capital Outlay Plans for major infrastructure categories.
- Incorporated enhanced stormwater drainage program in General Fund budget in amount of \$500,000.
- Approved interlocal agreement with Charlotte County to use County consulting engineer to develop plan for transition from septic to sewer in City utility service area.

Partnerships, Communication & Collaboration

- Completed seventh Citizen’s Academy, reaching out to over 20 attendees who learned about the City organization: administration, finance, public safety, public works, utilities and urban design.
- Partnered with TEAM Punta Gorda and Habitat for Humanity for fourth Paint Your Heart Out initiative.
- Continued publicity for Facebook initiative, now reaching over 4,000 likes on a regular basis, whereby users can comment on pertinent City issues through “question of the week”, Police Facebook page, and NextDoor site for public safety communication and dissemination of information.
- Held and/or participated in numerous neighborhood meetings to garner input and engage the community to address such issues as Additional Harbor Access in Punta Gorda Isles, bicycle capital improvements plan, Trabue Woods infrastructure improvements, budget development, and land development regulations.
- Continued customer satisfaction surveys regarding doing business with the city and police quality assurance reviews.
- Conducted How to do Business with your City seminar as well as seminars for businesses to inform them of procurement processes.
- Continued emphasis on financial transparency by placing annual budget, budget alternatives, long range financial plan, comprehensive annual financial report, community redevelopment agency annual report, city financial monthly reports, accounts payables, employee salary plan, strategic plan progress reports, paving program and special projects on City’s website for public viewing.
- Provided letters of support for numerous initiatives to include Charlotte County legislative priorities; Andrews House affordable housing; Florida League of Cities call for action on proposed legislative matters, Safe Cities Safe Florida Initiative; New Operation Cooper Street grant request with Selby Foundation; and Charlotte County gateway landscaping.
- Partnered with FPL in its Solar Now program, which will construct solar canopies in Laishley Park, Hector House Plaza, Bailey Brothers Park and City Hall parking area.
- Partnered with Vietnam Wall committee to complete construction of and hold dedication ceremony for Vietnam Memorial Wall in Veterans Park.

Strategic Communications Positioning

- Participated in public/private initiatives to market Vietnam Wall, Founders Week and Downtown Tree Lighting.
- Completed and distributed updated Waterfront Owners Guide.
- Continued partnership with Fishermen’s Village through distribution of Punta Gorda brochures when Village promotes the area throughout the state.
- Participated in Charlotte County Visitor’s Bureau charrettes regarding development of a consistent marketing positioning strategy and message that resulted in new marketing brand – Punta Gorda/Englewood Beach: *Our Best Side is Outside*.
- Secured services of marketing consultant to conduct branding process for City strategic communications positioning. Presented Report of Findings and recommendation to initiate communications position with City organization. Development of brand and communications plan in process.

Quality of Life

- Approved consideration of four pilot bicycle improvement projects on Berry, Nesbit, Elizabeth and West Olympia. Public input process underway.
- Approved bicycle corral parking at corner of West Marion and Sullivan.
- Installed display board at Herald Court Centre to promote downtown events.
- Completed design for fresh market business venture on East Virginia to be managed by neighborhood organization. Rebid process underway.
- Partnered with Charlotte County, Airport Authority, Florida Southwestern State College (FSW) and Western Michigan University (WMU) to initiate aviation program at Airport.

The FY 2017 Strategic Plan Action Items have three distinct elements that help transform the City's vision into reality. They are:

- **Strategies:** The Plan document contains the strategies that the City will pursue and action items on how to achieve the strategies. Strategies and action items are funded through the annual budget, five-year capital improvements program and partnerships with other public, non-profit and private organizations.
- **Key Performance Indicators:** Metrics that the City uses as sources of evidence to determine if its strategies are having their intended impact.
- **Financial Plan:** The City performs multi-year fiscal forecasting to show the long term impacts of its decisions, model different scenarios and identify/address financial issues well before they are realized. The forecasts are included in the Long Range Financial Plan presented to City Council in January of each year.

The five strategic priorities, identified above, and attendant goals are reiterated below.

Financial/Economic Sustainability

- Goal: Continue best management practices in financial planning.
- Goal: Identify sustainable spending policies and appropriate technologies to support business operations.
- Goal: Strengthen & diversify the City's tax base to increase the commercial base.
- Goal: Support Charlotte County efforts to facilitate & nurture high priority economic development projects.
- Goal: Ensure the competitiveness of Punta Gorda's business climate.
- Goal: Enhance workforce development & diversity in the City organization.

Infrastructure Sustainability

- Goal: Maintain and enhance the City's infrastructure to ensure efficient and effective service delivery and quality aesthetic appeal.
- Goal: Complete the 18-mile pedestrian/bicycle pathway connecting all neighborhoods.
- Goal: Maximize use of new technology in applicable areas.
- Goal: Apply best management practices & systems in infrastructure maintenance.
- Goal: Establish a long-range plan that ensures infrastructure is in place to meet projected growth demands.

Partnerships, Communication & Collaboration

- Goal: Promote partnership opportunities with public, private and non-profit organizations.
- Goal: Emphasize transparency in City operations, reporting, and activities.

- Goal: Continue to seek community input in decision making process.
- Goal: Support and assist community efforts to address City priorities through recognition and catalytic initiatives.

Strategic Communications Positioning

- Goal: Develop a cost effective strategic communications/marketing plan for the City.
- Goal: Optimize expertise of regional and local partners (i.e. Charlotte Harbor Tourism Bureau, Chambers of Commerce, Realtor Association, tourism-oriented private sector) to achieve stated objectives.
- Goal: Optimize waterfront, bicycle and pedestrian assets in the City.
- Goal: Coordinate with stakeholders in promoting Punta Gorda as a boating, fishing and bicycle friendly destination.
- Goal: Support and facilitate the marketing of Punta Gorda's assets as a core of a vibrant downtown.

Quality of Life

- Goal: Support, promote & maintain the City's historic character.
- Goal: Maintain the City's high safety rating and emergency response.
- Goal: Improve the City's water quality.
- Goal: Achieve status as a waterfront destination for land and water visitors.
- Goal: Support and promote a pedestrian & bicycle friendly community.
- Goal: Ensure a diversity of housing stock that is attainable for all income levels, racial backgrounds, life stages and abilities.

The Plan helps us stay focused in our near term objectives and tasks, while still keeping our eye on the long range perspective of our actions. Our strategic plan is dynamic and can be adjusted or molded from time to time as needed. It is a working document that evolves as development takes place. Throughout the year, we will provide status reports on our progress. In this way, it is a document by which we can measure our success and by which the community can evaluate our performance.

In linking the City's strategic plan to development of the operating budget, each City department/division identified one or more of the five strategic priorities that significantly contribute towards achieving objectives. This information can be found within the key performance measure discussion for each operating division, along with division specific mission and objectives, initiatives, action items and metrics.

ECONOMIC OUTLOOK

National and state economies are key factors in assessing the City's future fiscal picture. Changes in the national, state and local economies can affect both revenues and expenditures, due to the impact on sales tax receipts and the costs and demand of providing city services. While economic changes at the state and national level can often translate into comparable changes locally, it is important to note that Punta Gorda and the Southwest Florida region as a whole often behave differently, displaying economic trends and reflecting experience that may lag or precede observed changes elsewhere.

National Economic Outlook

The most recent economic forecast from the Congressional Budget Office (CBO) includes the following key points:

- Federal budget deficits will remain below 3% of the Gross Domestic Product (GDP) through 2019 but would rise to 5% of GDP by 2027, based on projected spending and revenue trends and particularly for social security, medicare and net interest.
- Outlays will remain near 21% of GDP for the next few years, which is higher than the average of 20% over the past 50 years. By 2027, outlays would rise to 23% of GDP.
- Debt held by the public will rise from 77% of GDP (\$15 trillion) by the end of 2017 to 89% of GDP (\$25 trillion) by 2027. This trend will have negative consequences for the federal budget and nation as a whole. Lawmakers will have less flexibility to use tax and spending policies to mitigate this trend.
- GDP will expand at an average annual pace of 2.1% through 2018. Most of the growth in output will be driven by consumer spending, business investment and residential construction. That rate will average 1.9% per year through 2027.
- Unemployment rate is projected to be 4.4% by the end of 2018. This rate will average 4.9% over the latter part of the projection period.
- Inflation will rise at a modest pace over the next few years. This will rise to 1.9% in 2017 and to 2% in 2018. It will remain on average 2% through the 2020.
- As the slack in the economy continues to diminish, the Federal Reserve will continue to reduce its support of economic growth. The federal funds rate is expected to rise gradually over the next few years, reaching 1.1% by the end of 2017, 1.6% by the end of 2018 and 3.1% in the latter part of the projection period.

Florida/Southwest Florida Regional Economic Outlook

The Florida Economic Estimating Conference met on February 21, 2017, to revise the forecast for the state's economy. The latest forecast reveals an economy that is performing well overall, but with a few key sectors that are still not back to normal levels. While most of the headline economic indicators—personal income, employment, light vehicle registrations and total visitors—continue to show solid year-over-year growth, some economic indicators, such as total private housing starts are below expectations. As a result, the Conference modestly lowered near-term growth rates for many of the underlying variables relative to the last forecast.

- One of the main factors used to measure the economic health of an individual state is personal income growth. Using the latest revised series, Florida's personal income growth in the third quarter of 2016 was 1.1 percent over the second quarter of 2016, ranking Florida 22nd in the country among all states. The current rank is lower than previous quarters with a growth rate the same as the nation for that quarter. The forecast expects personal income growth to continue with annual growth rates over the long term ranging between 4.3 percent and 5.1 percent.
- Two key measures of employment are job growth and the unemployment rate. The job market in Florida continues to grow at modest rates, with a 3.1 percent growth rate for nonfarm employment for the fourth quarter of 2016 compared to the same period last year. The forecast expects total non-farm employment to grow 3.0 percent in Fiscal Year 2016-17, with more modest rates of growth throughout the long run.

- The state's unemployment rate shows an overall improvement over the previous year, but was unchanged from the November 2016 rate. The state's actual unemployment rate in December was higher than the nation at 4.9 percent, compared to 4.7 percent in the U.S. The rate was as low as 3.3 percent from January through August 2007 (the lowest unemployment rate in more than thirty years), before peaking at 11.4 percent from December 2009 through March 2010. The forecast expects a downward trend to continue towards a long-term rate of unemployment of around 4.7 percent.
- Overall, the housing market continues to trudge forward, although slowing from the stronger growth over the past few years. For the fourth quarter of 2016, single-family building permits were 8.1 percent higher than the same period last year and multi-family building permits were 17.7 percent lower than the same period last year. Combined, total private housing starts are expected to decrease 1.7 percent in Fiscal Year 2016-17 before growing at a rate of 20.7 percent in Fiscal Year 2017-18. Total private housing starts are still well below the peak Fiscal Year 2004-05 level of 272,000 units. Total construction expenditures (including residential and public) continue to grow throughout the entire forecast period, with 7.4 percent growth in Fiscal Year 2016-17 and 10.2 percent in Fiscal Year 2017-18 before gradually slowing to 3.3 percent growth in the last year of the forecast. With a slow and steady recovery and foreclosures still affecting the marketplace, housing starts do not recover to their previous peak level at any time during the ten-year forecast period. Total construction expenditures return to peak levels by Fiscal Year 2020-21.
- Showing a more positive trend, median prices for existing home sales are growing more than expected, with 10.3 percent growth in median price during the fourth quarter of 2016 over the same period last year. Median prices are expected to increase 9.4 percent in Fiscal Year 2016-17. Similarly, single-family existing home sales continue to grow but at a slower pace than previous years, with a 1.6 percent growth rate forecasted for Fiscal Year 2016-17. Single-family home sales return to their peak annual level in Fiscal Year 2017-18, and median sales prices regain their peak in Fiscal Year 2019-20.
- Florida tourism is a major component of the state's economy. Preliminary estimates indicate that 29.0 million visitors came to Florida during fourth quarter 2016 for an increase of 5.6 percent over the same period in 2015. The forecast for Fiscal Year 2016-17 expects this trend to continue with a projected overall rate of growth of 5.7 percent, in spite of a reduction in the number of Canadian visitors. Over the long run, the expected growth in total visitors is between 4.3 percent 4.5 percent annually.
- Florida's unemployment rate was 4.3% in May 2017, down from 4.9% one year ago.
- The Southwest Florida economy continues its recovery. Seasonally-adjusted taxable sales in the region were \$2.162 billion in March 2017, an increase of 4% over March 2016. Passenger activity for the three Southwest Florida airports amounted to in 1,273,647 in April 2017, an increase of 13% over April 2016.

Charlotte County Economic Highlights

As part of the Southwest Florida region, Charlotte County has undertaken a number of initiatives to enhance its business opportunity environment. Some of the more pertinent initiatives and statistics are:

- Charlotte County continues to notice solid growth in population, from 168,474 one year ago to 173,115 representing a 3% increase. The County ranks second in the state for its population age 65 and older, according to 2016 population estimates from the University of Florida, Bureau of Economic Business Research. By 2030, it's expected the County's population aged 55 and older will be 57%.

- For the fifth consecutive year, the taxable property value in the County has increased, up 8.5% from the previous year. Of that amount, new construction accounted for 2.5%.
- Unemployment was 4.4% in May 2017, almost mirroring the state’s rate of 4.3%. One year ago, the unemployment rate in the County was 4.9%.
- The Punta Gorda Metropolitan Statistical Area (MSA), which is all of Charlotte County, added 500 construction jobs and another 500 jobs in education and health services during the past year. These types of jobs add value because they offer higher wages and reflect an expanding economy with more houses, schools and health care opportunities.
- The median sales price of an existing single family home in the Punta Gorda MSA was \$216,513 in May 2017, an increase of 12.5% from the previous year. The supply in the single-family home market was 5.1 months, which suggest a market slightly favoring sellers.
- The County’s taxable sales grew by 12%, from \$215.9 million in March 2016 to \$242.6 million in March 2017.
- The Punta Gorda Airport and Enterprise Charlotte Airport Park (ECAP) continues to represent major economic drivers in the area. The Airport Authority’s terminal expansion project, aimed to meet current and future demand primarily from Allegiant Airlines, has been open for business about one year. Allegiant’s service area from Punta Gorda flies to 38 cities. Passenger activity at the airport since calendar year 2010 has risen in significant numbers, as shown below:

Year	Passenger Count	Year	Passenger Count	Year	Passenger Count
2010	182,423	2013	333,611	2016	1,118,303
2011	291,626	2014	628,075	2017	477,620 thru April
2012	219,357	2015	836,472		

Commissioned by the Airport Authority, an economic impact study conducted by Volaire Aviation Consulting indicates that the Punta Gorda Airport has an economic impact of \$208.3 million in Charlotte County and \$353.2 million regionally. The airport is home to 399 aircraft and 18 non-airline aviation entities. It employs 1,699 people full time in the County and 3,618 full-time jobs regionally. The study points out that each new route creates over 50 new jobs and \$1.6 labor income in the County.

- A partnership among the County, City, Airport Authority, Florida Southwestern State College and Western Michigan University (WMU) continues to progress. WMU received approval from the Florida Commission for Independent Education to have a physical presence in the State, clearing the way for its aviation program to start at the Punta Gorda Airport. In March 2017, the WMU Board of Trustees approved an economic development investment agreement with Charlotte County which paves the way for improvements at the Airport to enable the university to deliver aviation flight training at the facility. Up to \$500,000 in capital improvements is underway by the County to an airport hangar complex WMU is leasing for the program. The agreement also calls for:
 - ✓ Establish and begin the flight training program no later than January 2018
 - ✓ Invest no less than \$2 million in building improvements and/or equipment and graining prior to July 1, 2018 to support a bachelor’s degree in aviation flight training
 - ✓ Continuously operate the program at the Airport for no less than five years
 - ✓ Appropriately staff and maintain the an average student enrollment of 150 students per academic year

In addition, WMU plans to offer more than 20 fields of study in a variety of educational areas.

- Babcock Ranch, a planned new town situated on 18,000 acres bordering Charlotte County and Lee County, broke ground in June 2016. When completed the development will house 19,500 residential units with an anticipated 50,000 population; six million square feet of commercial space; 75 mega-watt solar facility; and 50 miles of trails. The development is also planning a partnership with Florida Gulf Coast University to house higher educational programs.
- Murdock Village redevelopment continues to be a future major economic driver in County development opportunities. In November 2016, a Private Equity Group signed a contract with Charlotte County to purchase 452 acres for a mixed-use development consisting of over 2,000 residential units, 200,000 square feet of commercial and a hotel. In addition, Project Hills, a developer of sports and entertainment venues, submitted plans for a phased construction water park, hotels and other amenities on 160 acres. These plans are still in the developmental stage.
- The County’s strategic plan for economic development recommends the following:
 - ✓ Targeting smaller industries and focusing on niche manufacturers
 - ✓ Targeting health care or industries that focus on serving the senior population
 - ✓ Helping local expansion of businesses
 - ✓ Addressing lack of building availability
 - ✓ Promoting existing educational opportunities
 - ✓ Building a county brand
 - ✓ Improving the ease of doing business in the County
 - ✓ Enhancing working relationships among economic development partners

Punta Gorda Economic Highlights

Projections show a FY 2018 population of 18,811, up from the 2010 Census of 16,641.

- Changes in property values continue to contribute major influence on financial planning and budget preparation. Taxable property values (FY 2018) increased Citywide by 7.4% from the final previous fiscal year, including \$50.6 million of new construction, annexation, and changes in exemption. This is the fifth straight year experiencing an increase in values after six straight years of declines in taxable value Citywide.
- New housing unit building permit trends since FY 2005 are shown below. Activity from FY 2010 through July of FY 2017 demonstrates a positive trend in new residential construction from FY 2009.

Year	Units Permitted	Year	Units Permitted
FY 2005	467	FY 2012	56
FY 2006	241	FY 2013	88
FY 2007	190	FY 2014	100
FY 2008	98	FY 2015	125
FY 2009	12	FY 2016	113
FY 2010	37	FY 2017	116 (through June)
FY 2011	30		

- Marriott Springhill Suites – A 103-room hotel is under construction at the northeast corner of Marketplace property (US 41 and Harborside). Once completed, the hotel will assist the Charlotte County Event & Conference Center in enhancing attraction for larger conference and event venues.

- LOOP development update - Goodkin Consulting (GC) was hired by the property owner to conduct a market analysis concerning development possibilities for Village Center, a proposed 171-acre mixed-use residential and commercial development. The site is at the intersection of Jones Loop Road and I-75 in Punta Gorda. The report's findings, published in August 2015, are highlighted below:
 - ✓ Residential component – 290 residential units of which 128 are single family detached, 90 single family semi attached and 72 townhome attached.
 - ✓ Retail component – 540,000 square feet of which 300,000 is an outlet mall and 240,000 a village center.
 - ✓ Office component – 150,000 square feet consisting of 80,000 in village center with office over retail, and 70,000 of two or three single users.
 - ✓ Hotel component – dual branded with 200 rooms.

Terracap, the LOOP property owner uses this data in its marketing effort to attract developers to invest in the site. The first such development is a prospective Aldi Market.

- Aqui Esta development – a 100+ acre parcel of undeveloped property along Aqui Esta that is zoned for up to 500 single family homes. Under consideration is a multi-family residential development to include private docking facilities for 49 slips.
- The City's business development strategy to enhance business and economic development was highlighted in the aforementioned Strategic Plan accomplishments and priorities.

THE PROPOSED BUDGET

Submitted herein is the proposed City of Punta Gorda Budget for FY 2018. The total FY 2018 budget including all transfers and carryover fund balance is \$99,685,703 which is \$6,024,550 (6.4%) greater than FY 2017. The major factors causing the net increase are additional general construction projects of \$1.5 million, additional 1% sales tax projects of \$1.3 million, personnel related net costs of \$1.0 million, increased operating expenditures in recycling, community branding services, pay plan study, repair & maintenance, and administrative charges of \$0.9 million, an increase in sanitation of \$0.6 million for the carts to implement the new semi-automated service delivery, increased debt service of \$0.3 million for Utilities reverse osmosis deep injection well, increased operating transfers of \$9.2 million and a \$1.5 million increase to ending reserves. Mitigating these increases are decreased utilities capital construction of \$8.2 million, decreased utilities contribution for regional pipeline of \$1.5 million which is now projected to be budgeted in FY 2019 and decreased BSI Canal maintenance dredging project of \$0.6 million.

The chart on the next page compares previous adopted budgets with the proposed FY 2018 budget. The expenditures are net of transfers to other funds, internal service funds and ending reserves. The FY 2018 net amount of \$63,516,741 is a reduction of \$4,723,531 or 6.9% less than FY 2017. Removing the effect of the \$8.2 million decrease in capital projects for Utilities identifies the remaining net budget increase of \$3.5 million, which is discussed above.

City of Punta Gorda
Comparison of Net Budgeted Expenditures
Budget FY 2012 through Proposed Budget FY 2018
(Net of transfers, internal service funds and ending carryover fund balance)

	Budget FY 2012	Budget FY 2013	Budget FY 2014	Budget FY 2015	Budget FY 2016	Budget FY 2017	Proposed Budget FY 2018
General Fund	\$15,720,634	\$16,077,813	\$16,329,012	\$16,835,086	\$16,980,672	\$17,716,943	\$18,765,827
Special Revenue Funds	7,313,338	7,355,001	7,492,359	8,576,401	9,530,804	10,164,555	10,990,332
General Construction Fund	2,896,725	676,491	637,596	518,000	390,296	685,747	2,164,683
Enterprise Funds	21,662,082	19,558,040	21,339,565	25,036,612	27,568,045	39,682,027	31,595,899
Total Funds	\$47,592,779	\$43,667,345	\$45,798,532	\$50,966,099	\$54,469,817	\$68,249,272	\$63,516,741
\$ Net Increase (Decrease)	\$1,131,502	(\$3,925,434)	\$2,131,187	\$5,167,567	\$3,503,718	\$13,779,455	(\$4,732,531)
% Net Increase (Decrease)	2.44%	-8.25%	4.88%	11.28%	6.87%	25.30%	-6.93%

The 278 funded full time equivalent (f.t.e.) position count has increased by three for FY 2018; one communications manager, one GIS analyst, .5 staff accountant, one SCADA analyst, and .5 clerk. During FY 2017 one additional dispatcher was added to public safety communications. One of the key performance measures identified in the business plan is the ratio of full time employees to population.

Fiscal Year	Population Estimates	Employees	Ratio Employees/ Per 100/Population
2018	18,811	278	1.5
2017	18,588	274	1.5
2016	18,368	271	1.5
2015	17,632	267	1.5
2014	17,556	263	1.5
2013	17,349	265	1.5
2012	17,177	265	1.5
2011	16,907	265	1.6
2010 Census	16,641	270	1.6
2009	16,989	291	1.7
2008	17,651	308	1.7
2007	17,444	313	1.8

BUDGET HIGHLIGHTS BY FUND

General Fund

The proposed FY 2018 General Fund Budget, net of ending reserve, totals \$20,989,827, which is \$1,803,884 or 9.4% more than the original FY 2017 budget. See detail below. Based on an improving economy, with modest anticipated increases of 6% in taxable property valuations and 2% to 3% increases in shared state revenues and other general fund revenues, the current five year fiscal forecast (July 2017) projects deficits in the range of \$.7 million to \$.5 million per year from FY 2019 through FY 2022.

The general fund financial plan includes a five year look forward and then focuses on a two-year decision plan, based on the current assumptions. As a result the financial plan has been developed to eliminate any estimated gap in FY 2018 and FY 2019 and to initiate planning for future years' budgets. As a result of the continued budget reduction measures, previously projected shortfalls, which were as high as \$3.4 million, have been significantly reduced.

**General Fund
Proforma Schedule of Revenues and Expenditures
Proposed FY 2018 through Proforma FY 2022**

	Proposed FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022
Change in Taxable Value of Property	7.4%	6%	6%	6%	6%
Revenues:					
Ad Valorem Tax	\$8,847,000	\$9,377,820	\$9,940,490	\$10,536,920	\$11,169,135
Other Revenue	11,231,372	10,987,477	11,136,187	11,287,280	11,440,300
Use of Capital Outlay Reserve	534,505		357,000		228,000
Use of Prior Year's Reserve	376,950	671,695			
Total Revenues	20,989,827	21,036,992	21,433,677	21,824,200	22,837,435
Expenditures:					
Personnel Expenditures	13,681,151	14,177,709	14,698,768	15,242,730	15,810,776
Operating Expenditures	4,249,176	4,376,283	4,542,419	4,637,723	4,742,340
Capital Outlay	820,500	756,000	1,110,000	753,000	974,000
Transfers for Tax Increment Financing	575,000	598,000	621,920	646,797	672,669
Transfers for Capital Projects	690,000	155,000	155,000	155,000	155,000
Transfers for Roads	459,000	459,000	459,000	459,000	459,000
Transfers for Drainage	500,000	500,000	500,000	500,000	500,000
Contingency	15,000	15,000	15,000	15,000	15,000
Total General Expenditures	20,989,827	21,036,992	22,102,107	22,409,250	23,328,785
Expenditures in Excess of Revenue	\$0	\$0	(\$668,430)	(\$585,050)	(\$491,350)
Minimum Reserve (7.5% to 9.5%)	\$1,575,000	\$1,683,000	\$1,849,000	\$2,017,000	\$2,195,000

Various initiatives are being taken to modify the variance between current revenues and current expenditures. The financial goal of reaching a balance between achieving revenues necessary to fund the level of service expected from the community through the most cost effective method available is being addressed through the following efforts:

- Use of long range proforma to identify effects of current decisions on future budgets
- Consistent review of alternative methods of service delivery
- Practical analysis of open positions and alternative methods of service delivery
- Competitive bidding where practical and competitive pricing
- Sales of scrap, repurposing of obsolete or auctioning for value of any fixed assets
- Maximization of collection of fees, taxes and rentals due the city
- Conscientious use of allocated funds
- Avoidance of lost opportunities
- Use of technology wherever possible to enhance level of service and to maximize personnel value

The general fund budgeted expenditures comparison on the following page provides the financial overview of the divisions that provide service through the General Fund. Each department/division's stated function, accomplishments, budget narrative, initiatives and action items as they relate to the City's five strategic priorities, and key performance measures for purposes of transparency are provided in Section 6 of the Budget Document along with summaries of expenditure by category, staffing history and service costs.

City of Punta Gorda, FL
General Fund Expenditures Comparison
Original Budget FY 2012 through Proposed Budget FY 2018

	Original Budget FY 2012	Original Budget FY 2013	Original Budget FY 2014	Original Budget FY 2015	Original Budget FY 2016	Original Budget FY 2017	Proposed Budget FY 2018
General Fund Expenditures							
City Council	\$ 111,758	\$ 108,048	\$ 111,891	\$ 107,959	\$ 106,367	\$ 98,442	\$ 129,311
City Manager	223,716	221,771	214,690	237,488	257,720	251,182	474,808
Human Resources	312,042	304,588	316,284	297,940	355,492	304,543	346,560
City Clerk	472,920	486,703	429,018	456,770	457,948	530,987	514,803
Finance	775,367	807,040	853,170	813,123	832,091	880,793	927,959
Procurement	475,693	487,389	465,844	495,169	504,762	592,583	571,939
Legal Counsel	219,287	219,021	192,511	199,201	205,753	203,700	255,794
Public Works Administration	296,557	306,748	317,676	306,715	306,621	312,020	351,303
Engineering	460,393	473,577	471,978	426,781	458,618	435,082	469,099
Right of Way Maintenance	1,044,734	1,041,844	981,427	1,042,761	1,078,783	1,254,571	1,548,578
Parks & Grounds	1,147,248	1,141,312	1,336,443	1,442,580	1,417,403	1,499,740	1,465,069
Police	5,075,548	5,151,300	5,230,086	5,377,523	5,412,144	5,560,536	5,766,363
Fire	3,027,750	3,190,396	3,268,585	3,328,578	3,252,140	3,460,350	3,661,532
Growth Mgmt	152,141	159,014	2				
Urban Design	609,653	639,018	663,805	542,856	551,318	652,304	619,990
Zoning & Code Compliance	265,168	266,846	423,869	469,618	481,509	410,944	500,272
Facilities Maintenance	746,559	776,198	745,735	759,019	757,483	771,601	798,453
Non-Departmental	304,100	297,000	306,000	531,005	544,520	497,565	363,994
Subtotal Operations	15,720,634	16,077,813	16,329,012	16,835,086	16,980,672	17,716,943	18,765,827
Incr (Decr) from prior year	91,853	357,179	251,199	506,074	145,586	736,271	1,048,884
% incr (-) decr from prior year	0.59%	2.27%	1.56%	3.10%	0.86%	4.34%	5.92%
Tax Increment Financing Transfer	459,785	497,689	462,249	454,299	468,678	500,000	575,000
Capital Projects Transfer	105,000	85,000	126,000	85,000	95,000	10,000	690,000
Paving Transfer	355,000	355,000	355,000	609,000	459,000	459,000	459,000
Drainage Transfer						500,000	500,000
1% Local Sales Tax Transfer	1,633,000	1,637,800	1,485,000	201,000	3		
Subtotal Ops and Transfers	18,273,419	18,653,302	18,757,261	18,184,385	18,003,350	19,185,943	20,989,827
Incr (Decr) from prior year	175,682	379,883	103,959	(572,876)	(181,035)	1,182,593	1,803,884
% incr (-) decr from prior year	0.97%	2.08%	0.56%	-3.05%	-1.00%	6.57%	9.40%
Future Years' Budget - Reserve			590,000	103,999	464,000	574,626	671,695
Fleet/Equip - Reserve				312,000	312,000	420,000	
Proj. Carryover - Ending Reserve	915,000	933,000	1,042,170	1,192,000	1,423,922	1,498,937	2,441,868
Reserves as a % of Operations & Transfers	5.01%	5.00%	8.70%	8.84%	12.22%	13.00%	14.83%
Total General Fund Exp.	\$ 19,188,419	\$ 19,586,302	\$ 20,389,431	\$ 19,792,384	\$ 20,203,272	\$ 21,679,506	\$ 24,103,390

¹ Final Adopted FY 2012 operations and transfers budget is \$18,494,919 after ratification of union contracts, changes in updated actuarial pension funding requirements, New Operation Cooper Street electricity funding, revenue loss from Punta Gorda Housing Authority, and building demolition requirements.

² Director position eliminated and staffing merged in FY 2014

³ 1% Local Option Sales Tax is now accounted for in a special revenue fund for the new election period Jan 1, 2015 through Dec 31, 2020. The extension of the 1% Local Option Sales Tax was approved in the November 2014 election.

General Fund Department Highlights

There are no major program changes to the following departments – City Council and Legal.

City Manager

The City will enhance its strategic communications program by adding a communications manager to staff. The City has engaged the services of a marketing consultant to assist in developing a marketing/branding communications strategy for positioning the City residents, visitors, and commercial and industrial businesses. The FY 2018 budget includes \$219,000 for the estimated program start-up. The first year of full funding is being transferred from the special use fund. In subsequent years the salary and benefits for the manager are included as general fund revenue supported.

City Clerk

Budget includes \$25,000 for a possible primary election in the summer of 2018. There will be no need for a November 2017 election.

Human Resources

On an annual basis, Human Resources reviews the City's Pay and Classification plan to ensure that the pay component of the employee compensation package is within the median range for other agencies and municipalities in Florida. In FY 2018, \$35,000 is budgeted to enable hiring a consulting firm for a comprehensive pay plan review. In order to maintain the median position, the proposed budget includes an annual merit of up to 3% for eligible employees. The budget does not currently provide any changes that may be proposed as a result of the comprehensive pay plan review.

Finance

The accumulated increase in receiving state and federal grants as well as the major changes to the federal requirements for administering and documentation of grants has increased time spent in this area. A half-time accounting intern position will now be increased to a full-time staff accountant, to free up senior accounting staff for complex and proactive grant accounting. Training funds are allocated to ensure knowledge of the federal grant accounting and auditing requirements.

Procurement

An assistant buyer position (1 f.t.e.) was added for FY 2017 to the procurement division to improve service and efficiency in processing purchase requests, cross training of personnel, improve the effectiveness of contract management, increase surplus auctions, and increase management focus on regulatory changes. No capital outlay is budgeted for FY 2018.

Public Works

In the previous year, a pilot program for improving drainage in residential areas was tested. The FY 2018 budget continues to fund this major program. The Public Works engineering staff will continue to develop an annual plan and oversee an outside contract for implementation. In addition to the routine replacement of aging trucks and mowers, there is a large boom mower, an excavator and a dump truck being funded that increase the budget over \$300,000. Due to an increase in gas tax funds, the balance of the repair and maintenance for fleet budget of \$21,000 has been transferred from general fund to gas tax fund.

Urban Design and Zoning & Code Compliance

A restructuring of these two divisions has shifted one f.t.e. from Urban Design to Zoning & Code Compliance. A vacant planner position has been reduced and the zoning official position has been reinstated. This responsibility was previously handled by the recently retired Urban Design manager. In addition, duties and positions have been restructured to improve service levels. A component of the required city comprehensive plan, a climate adaptation study is included for \$30,000.

Public Safety

Public safety remains the most significant expenditure category within the General Fund. As a result, the information below highlights crime and response data related to the level of service provided.

Police

A ninth dispatcher was added in FY 2017 to provide additional depth to alleviate onerous overtime resulting from high turnover and required training time. The situation will be monitored for improvement and a pending request for a tenth dispatch position, currently not funded, may be considered. Level of staffing for senior management, detectives and patrol are not budgeted to change. Overtime increased by \$14,000 and continues to be a significant expenditure for this department. The department continues to replace approximately 4 vehicles annually to prevent the average age of the fleet from rising above 7 years. Historically at that age the repairs and maintenance exceed the value and equipment critical to the daily operations becomes unreliable. A taser replacement funding program was implemented in FY 2017 through the 5 year capital outlay program. Funding continues in FY 2018.

**Florida Municipal Law Enforcement Agencies 15,000-20,000 Service Population
2016 Uniform Crime Reporting Data (Ranked by Index Crime Rate/100,000)**

Agency	Pop.	Total Crime Index	Crime Rate/ 100,000	% Cleared
Marco Island PD	16,930	96	567.0	13.5%
Punta Gorda PD	18,368	224	1,219.5	44.2%
Safety Harbor PD	17,269	264	1,528.8	29.9%
Lake Mary PD	16,119	340	2,109.3	10.9%
Naples PD	19,736	427	2,163.6	32.8%
Tavares PD	15,996	374	2,338.1	21.7%
Maitland PD	17,598	504	2,864.0	16.6%
Seminole PD	18,440	568	3,080.3	41.9%
Pinecrest PD	18,382	596	3,242.3	16.1%
Stuart PD	16,148	632	3,913.8	27.7%
Bartow PD	18,888	990	5,241.4	26.6%
Belle Glade PD	17,274	1,261	7,300.0	18.7%
Opa-Locka PD	17,831	1,456	8,165.6	12.3%
Cocoa PD	18,833	1,579	8,384.2	23.9%

Upon reviewing the comprehensive 2016 UCR data for the City of Punta Gorda, highlights of the preceding report include:

- Punta Gorda's overall crime rate decreased 14.5%. The crime rates for the last five years remain among the lowest in the last decade. This is also the lowest crime rate on record in over two decades (since 1995 when our oldest data was available).
- When compared to municipal police departments throughout Florida with a service population between 15,000 and 20,000, Punta Gorda maintained second place behind Marco Island for lowest crime rate.

- Among the eleven municipal law enforcement agencies in the Southwest Florida region (regardless of size or population), the crime rate in Punta Gorda ranks second only to Marco Island. Punta Gorda ranked third in 2015 behind both Marco Island and Sanibel.
- The clearance rate represents the percentage of index crimes cleared by the Police Department (closed pursuant to UCR guidelines) in a given year. This particular figure is of key importance to leadership as we assess our effectiveness in solving or reclassifying index crimes within the city. The statewide clearance percentage for 2016 was 24.3%. The Punta Gorda Police Department's 2016 clearance percentage of 44.2% remains above average compared to other similarly sized law enforcement agencies. Of the agencies in the 15,000-20,000 population range, the average clearance rate was 24.1%.

Fire

In FY 2017, a fire inspector was added to improve level of services. A frontline fire-fighting apparatus replacement budgeted in FY 2016 was delivered in April 2017. A second frontline fire-fighting apparatus is budgeted to be replaced in FY 2018. Due to the amount (\$475,000) and the infrequency of replacement, the apparatus is budgeted in the general construction fund and a transfer is shown in the general fund. New additional and replacement equipment that is needed for each apparatus will be funded through the annual capital outlay program for: 1) fire suppression, 2) medical equipment, and 3) protective equipment. The \$30,000 funding for these 3 programs was established in FY 2017 and continues in FY 2018. The FY 2018 budget also includes replacing the Fire Inspector's vehicle due to age and current condition of the vehicle.

The National Fire Protection Association standard (NFPA 1710) for service response time is five minutes or less, 90% of the time. The average emergency response time during FY 2016 was 4 minutes and 01 seconds.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Average response times	4:16	4:10	4:00	3:57	3:54	4:01
Emergency < 5 minutes	1149	1822	1869	1983	2266	2621
% Emergency < 5 minutes	79.7%	72.2%	74.7%	77.1%	78.9%	79.3%

Non-Departmental

The non-departmental classification includes uses of funds not related to a specific department or division. Transfers, debt service, lot mowing program, City-related memberships, business development, undesignated personnel costs and fleet replacement smoothing (both of which are zero for FY 2018), contributions and reserves are the primary categories in this classification.

The transfers to other funds category includes transfers to the general construction fund for: \$500,000 for the second year of the drainage improvement program, \$450,000 for a frontline fire apparatus, \$60,000 to replace the Cooper St. recreation center roof, \$130,000 for the annual public works capital projects, \$459,000 for the paving program, and \$575,000 for the Community Redevelopment Agency transfer. A new program for the Trabue Woods district, funded at \$50,000 replaces the CDBG grant, which carried heavy administrative costs.

All general fund debt service payments are reported in the debt fund. The payment for the Herald Court Centre loan, which is funded by tax increment financing (TIF) revenue, is paid through a transfer from the CRA fund to the debt fund.

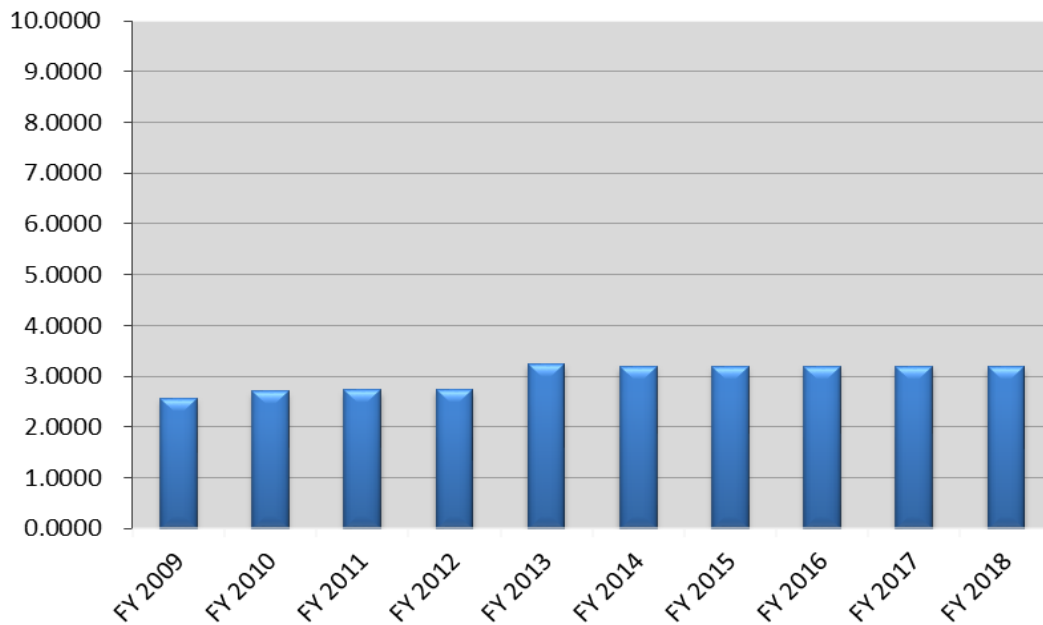
The lot mowing program annual fee is placed on the property tax bill as an annual assessment. The proposed rate of \$165, an increase of \$5 over the current fee, covers the costs of a coordinator, the mowing contract and administration. A public hearing for approval of the assessment will be held at the same date and time as the public hearing for the proposed FY 2018 budget.

There were no changes made to the funding levels of the City’s charter membership contributions to the Charlotte Harbor Environmental Center (CHEC) and Charlotte Harbor National Estuary Program. Contributions to non-profit agencies through the United Way community impact funding process increased 10% to \$27,500. This was the first increase in 8 years. No change to the reserve for general contingencies of \$15,000. Operating reserves are discussed in detail beginning on page 2.20 – General Fund Balance.

Millage and Taxable Assessed Value

The proposed FY 2018 millage rate of 3.1969 mills, maintained since FY 2014, is 4.91% over the rolled back rate of 3.0473. The calculated rolled back rate results in the same property tax revenues, sans new construction, as the previous year. Included in the millage rate is \$459,000 earmarked for the road resurfacing program and \$500,000 for the city-wide drainage improvement program.

**Property Tax Millage Rates
Fiscal Years 2009 - Proposed 2018**



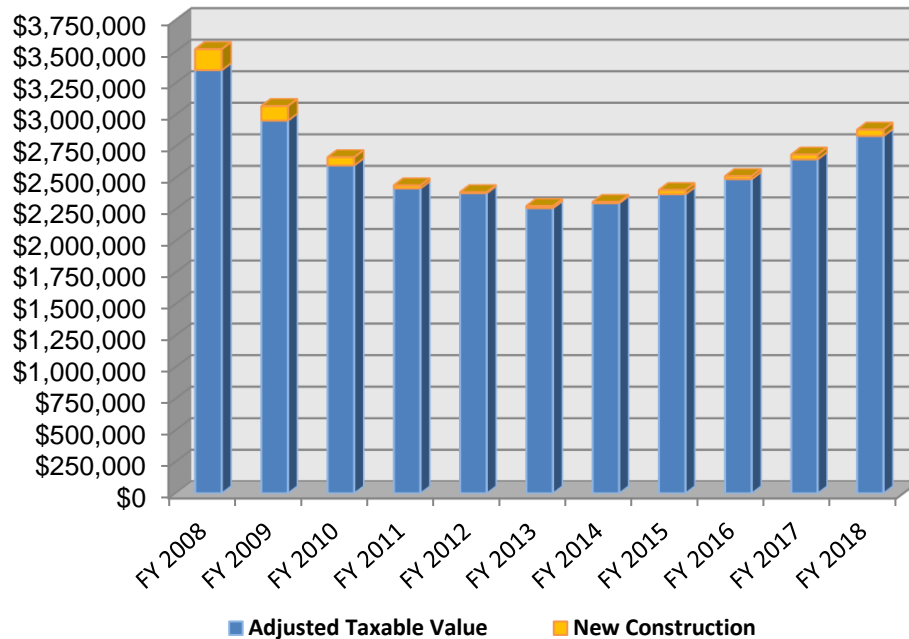
*A mill is equal to one dollar of tax for each \$1,000 of taxable value.
Florida Statutes caps the millage rate at 10 mills.*

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	\$2,882,634,481	\$197,331,322	7.4%	\$50,549,762	1.9%

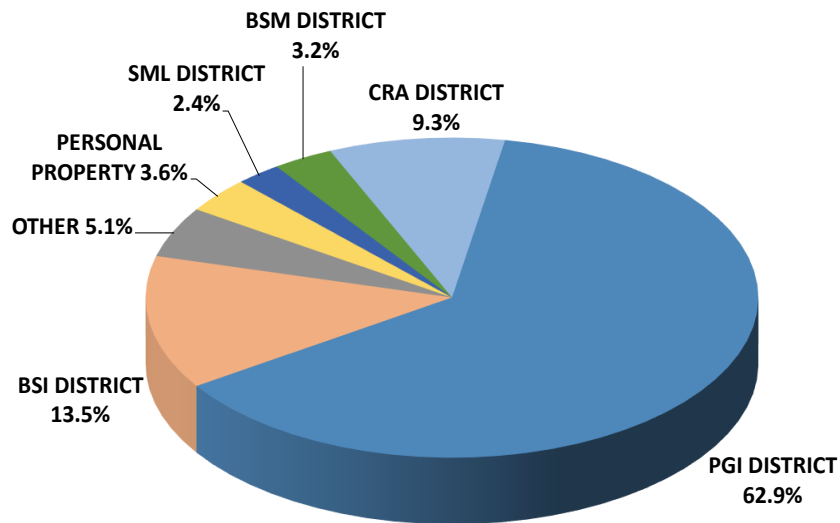
*Includes New Construction

Gross Taxable Value (in thousands)



The Charlotte County Appraiser’s July 1st certification shows a 5.5% overall increase for properties on the books from the prior year, and an additional 1.9% provided by new construction, annexations and changes in exemption for calendar year 2016. This is the fifth 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 eleven years is a cumulative 17.5% 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 from 3,763 parcels in FY 2013 to 152 in FY 2018.

Initial review of taxable value distribution shows the following:



Homestead property owners whose taxable value is still below just value (non-parity) will be limited to a maximum of a 2.1% increase in assessed value due to the 1992 “Save Our Homes” constitutional amendment that mandates assessed values will increase by the lesser of the CPI Index, (this year 2.1%), or 3%, until such time as the taxable value attains parity with the market value.

Below are examples of the effects that the proposed millage rate may have on property taxes.

Calculation of City Ad Valorem Tax on Various Homestead Single Family Values		
Fiscal Year 2018		
Assessed Value	\$150,000	\$300,000
Statutory Homestead	(50,000)	(50,000)
Taxable	\$100,000	\$250,000
Millage Rate	3.1969	3.1969
Tax	\$320	\$799

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. Amendments are 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 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%.

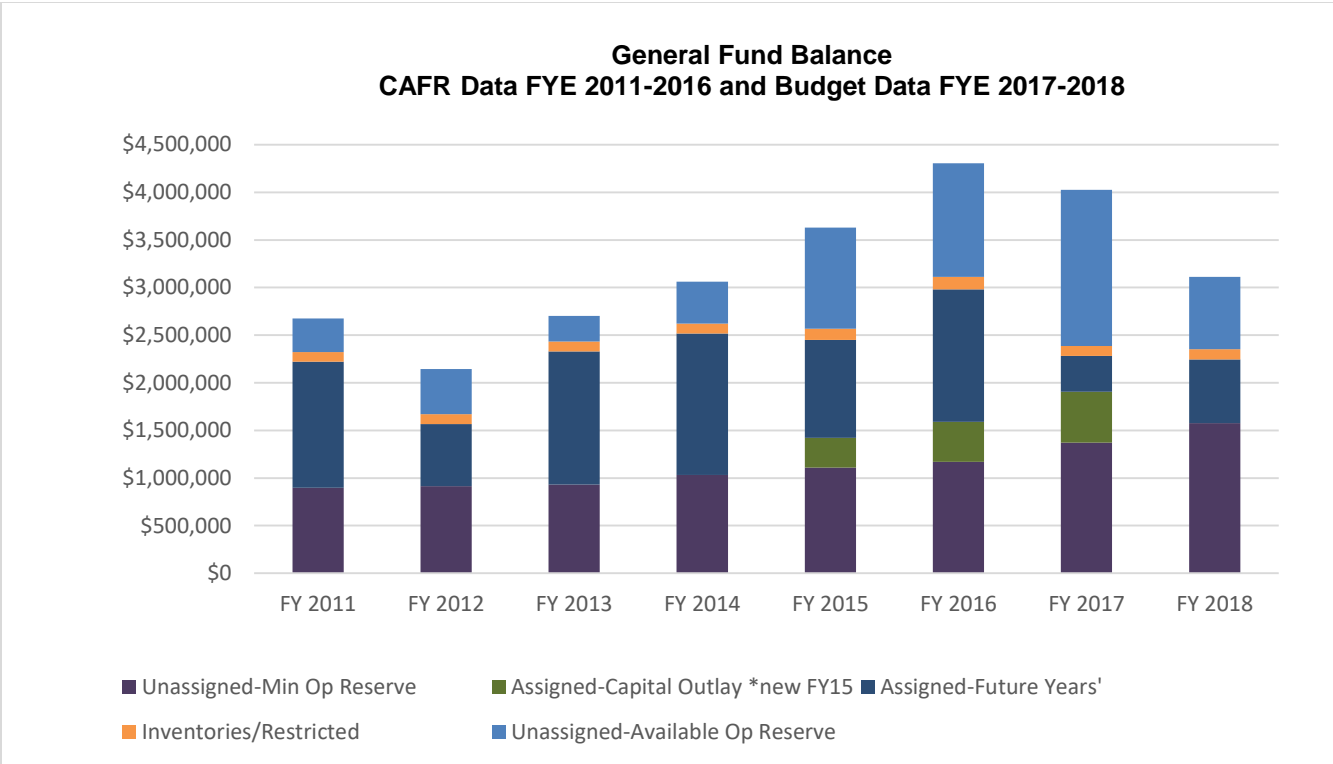
- For the General Fund and all other operating funds, except the Utilities Fund, the City will establish an unassigned fund balance minimum of 7.5% of total fund expenditures. Note: It is intended that this percentage increase each year and eventually attain the GFOA best practice standard.
- The City 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.

During the past ten fiscal years (2007 through 2016), 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 rebounds. FY 2018 continues this practice.

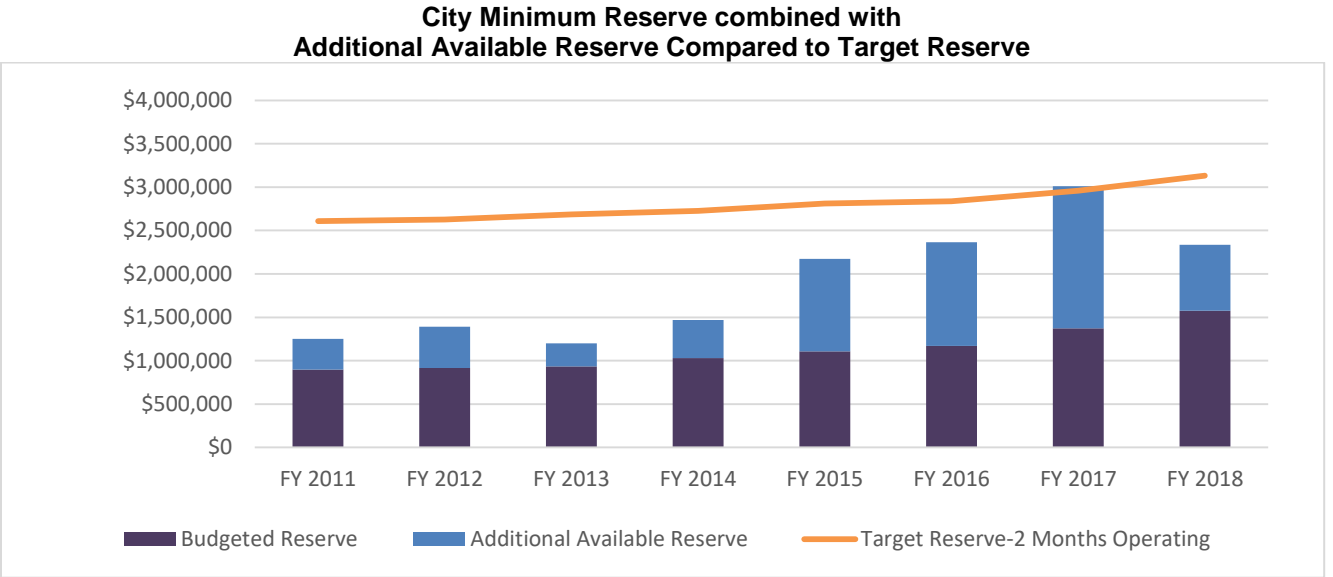
**Analysis of General Fund Balance
as a Percentage of General Fund Expenditures
at Fiscal Year End**

Fund Balance Category	FY 2015	% of	FY 2016	% of	Projected		Proposed	
	Amount	Exp.	Amount	Exp.	FY 2017	% of Exp.	FY 2018	% of Exp.
Inventories/Restricted	\$ 117,899	0.6%	\$ 129,763	0.7%	\$ 104,000	0.5%	\$ 106,000	0.5%
Assigned-Future Years' Use of Op. Reserve	1,027,579	5.7%	1,391,189	7.7%	376,950	2.0%	671,695	3.2%
Assigned-Capital Outlay Reserve	312,000	1.7%	420,000	2.3%	534,505	2.8%		0.0%
Unassigned-Minimum Op. Reserve (Orig)	1,109,000	6.1%	1,171,000	6.5%	1,372,000	7.2%	1,575,000	7.5%
Unassigned-Available Op. Reserve	1,062,940	5.9%	1,194,335	6.6%	1,637,563	8.5%	760,868	3.6%
Total Fund Balance	<u>\$ 3,629,418</u>	20.0%	<u>\$ 4,306,287</u>	23.9%	<u>\$ 4,025,018</u>	21.0%	<u>\$ 3,113,563</u>	14.8%
General Fund Orig Budgeted Expenditures	<u>\$ 18,184,385</u>		<u>\$ 18,003,350</u>		<u>\$ 19,185,943</u>		<u>\$ 20,989,827</u>	

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 2018 it is set at 7.5% of the total expenditure appropriations for the general fund, which calculates to \$1,575,000. 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 2022, the minimum reserve will be at 9.5%.



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.



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 \$756,000. Those amounts unused will be carried in the reserve until the year scheduled for use. See 5 year capital outlay summary for details. In the FY 2017 reserve, the amount of \$534,505 is reserved and will be used in FY 2018 to fund a \$1.1 million outlay for capital, 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 reforma. In this case, FY 2019 as currently projected, would need an additional \$671,695 from reserves to be balanced. It is increasing from the level needed in FY 2017 due to increases in service levels greater than the increase in revenues. The City is pursuing an annual \$500,000 city-wide drainage program, has added staffing as a result of growth needs, and is expending \$219,000 towards developing a strategic communications program. While the latter is expected to improve the City's revenue base, it is not yet reflected in the 5 year proforma. The fourth block is the small amount of funds identified in the 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.

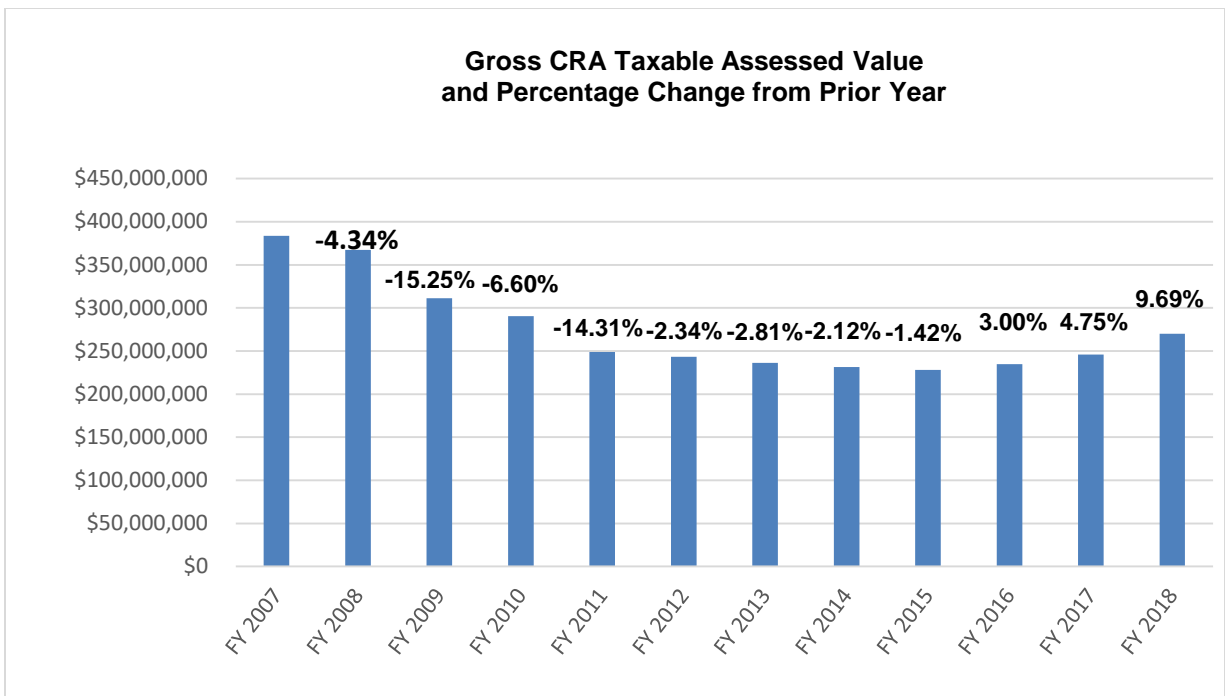
Community Redevelopment Agency

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 are funded by property owners within the CRA from tax value increments generated over the 1989 base year. The CRA has focused redevelopment efforts on projects which assist in rebuilding our public spaces. These efforts concentrate on several expansive projects which stress the importance of maintaining our public waterfront, alleviate parking issues and help 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 ten years. The tables shown here provide 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	\$269,900,697	\$575,000	\$1,133,253	\$1,708,253

The graph on the next page 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. The proforma anticipates conservative assessed property value increases of 3% in FY 2018 through FY 2022. The resulting estimated debt service reserve grows from \$697,000 at end of FY 2018 to \$2,022,000 at end of FY 2022, 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 2018 reflect this trend. The proforma below includes an annual placeholder of \$140,000 for repairs. 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 \$300,000 at end of FY 2018 and decreasing to \$136,000 at end of FY 2022.

The Herald Court lease revenue for FY 2017 includes the current tenants as well as a projection to fill 1,591 sq. ft. of currently vacant space. Based on these projections, the reserve for the Herald Court Centre shows a balance at end of \$187,000 in FY 2018 and growing to \$472,000 at end of FY 2022. 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
Proposed FY 2018 through Proforma FY 2022**

	Proposed FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022
Debt Service Division					
Assessed Property Valuation change	9.7%	3%	3%	3%	0%
Tax Increment Financing (TIF) Revenue	\$1,708,253	\$1,759,501	\$1,812,286	\$1,866,654	\$1,866,654
CRA Lease Payments (Debt Service)	1,379,440	1,423,924	1,471,648	1,517,548	1,566,566
Revenues in Excess of Debt Svc	328,813	335,577	340,638	349,106	300,088
Reserve - TIF for Debt Svc (Beg)	367,910	696,723	1,032,300	1,372,938	1,722,044
Reserve - TIF for Debt Svc (End)	\$696,723	\$1,032,300	\$1,372,938	\$1,722,044	\$2,022,132
Herald Court Operations Division					
Herald Court Revenues	\$263,158	\$270,988	\$268,502	\$270,016	\$272,089
Herald Court Operating Expenditures	179,610	187,577	195,784	204,247	210,464
Revenues in Excess of Herald Ct Operations	83,548	83,411	72,718	65,769	61,625
Reserve - Herald Ct (Beg)	105,089	188,637	272,048	344,766	410,535
Reserve - Herald Ct (End)	\$188,637	\$272,048	\$344,766	\$410,535	\$472,160
CRA Operations Division					
Other CRA Revenues	\$113,204	\$113,147	\$112,898	\$112,858	\$112,726
Other CRA Operating Expenditures	154,000	154,000	154,000	154,000	154,000
Revenues in Excess (Shortfall) of Other Operations	(40,796)	(40,853)	(41,102)	(41,142)	(41,274)
Reserve - Other Operations (Beg)	341,064	300,268	259,415	218,313	177,171
Reserve - Other Operations (End)	\$300,268	\$259,415	\$218,313	\$177,171	\$135,897

Utilities

The FY 2018 spending plan for Utilities operations, maintenance and repair (O M & R) is \$21,319,683 which is \$5,345,059 or 33.5% greater than budget FY 2017. The significant increase is an additional \$5,650,000 transferred to the Utilities construction fund. In addition to the reoccurring transfer for infrastructure renewal and replacement of \$1.12 million there is a planned use of cash reserves of \$3.9 million for the reverse osmosis (R.O.) water plant project, \$1.3 million for a replacement generator for the water plant, and \$200,000 for a GIS mapping project. Increases in division operational expenses of \$487,159 are due to 3% employee salary increases, the addition of a Scada Analyst at the water treatment plant and a half-time clerk for the wastewater treatment plant, and an estimated 3% change to operating contracts and materials due to growth and consumer price index adjustments. There is also a \$78,000 increase in capital outlay funding. The contribution to the regional pipeline project of \$1.5 million has been delayed until FY 2019. New debt service of \$415,800 and a related debt reserve of \$415,800 are based on the financing needs for the R.O. water plant project.

Utilities O M & R Fund
Revenue and Expense Comparison
Actual FY 2015 through Budget FY 2018

	Actual FY 2015	Actual FY 2016	Budget FY 2017	Projected FY 2017	Budget FY 2018
Revenues:					
Chg for Serv - Water	\$ 8,587,022	\$ 9,069,465	\$ 9,113,332	\$10,380,615	\$ 9,385,070
Chg for Serv - Sewer	6,402,527	6,743,164	6,894,705	7,288,415	7,100,140
Other	1,128,113	1,505,694	412,600	329,175	451,515
Subtotal	16,117,662	17,318,323	16,420,637	17,998,205	16,936,725
Reserves	3,730,864	4,523,219	6,298,893	7,642,386	7,963,749
Total Revenues	\$19,848,526	\$21,841,542	\$22,719,530	\$25,640,591	\$24,900,474
Expenses:					
Administration	\$ 1,351,488	\$ 1,406,629	\$ 1,531,754	\$ 1,523,112	\$ 1,590,283
Water	5,008,547	4,654,653	5,108,080	5,038,382	5,388,706
Wastewater	4,606,276	4,471,184	5,066,950	5,461,140	5,070,567
Other	529,976	628,735	705,840	783,208	928,527
Debt and Debt Transfers	782,840	782,955	402,000	200,000	1,031,600
Transfer for Capital	3,046,180	1,755,000	1,660,000	4,671,000	7,310,000
Contribution for Pipeline		500,000	1,500,000		
Subtotal	15,325,307	14,199,156	15,974,624	17,676,842	21,319,683
Reserves	4,523,219	7,642,386	6,744,906	7,963,749	3,580,791
Total Expenses	\$19,848,526	\$21,841,542	\$22,719,530	\$25,640,591	\$24,900,474

The current five-year financial forecast is based on 2-day per week watering; average rainfall; and new financing based on the FY 2018-2022 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. Based on the 2015 Rate Sufficiency Study by Burton & Associates with a 50% grant for the RO plant, the current proforma includes the recommendation to eliminate the 4% water and sewer rate increase planned for FY 2018. See unresolved issues at the end of this budget message for additional Utilities projects discussion. Based on the current proforma, the projected revenues and reserves as shown are sufficient to fund the FY 2018-2022 capital improvements plan.

**Utilities OM&R Fund
Proforma Schedule of Revenues and Expenses
Proposed FY 2018 through Proforma FY 2022**

	Proposed FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022
Revenues:					
Chg for Serv - Water	\$9,385,070	\$9,478,921	\$9,573,710	\$9,669,447	\$9,766,142
Chg for Serv - Sewer	7,100,140	7,171,142	7,242,853	7,315,282	7,388,435
Other Revenue	451,515	1,059,454	1,070,422	1,086,419	742,445
Total Revenues	16,936,725	17,709,517	17,886,985	18,071,148	17,897,022
Expenses:					
Operations	12,978,083	13,585,926	14,084,220	14,540,417	15,014,091
Renewal & Replacement of Infrastructure	1,120,000	1,120,000	1,120,000	1,120,000	1,120,000
Transfer for Capital Improvement Projects	6,190,000	215,000	170,000	275,000	
Existing Debt Service	200,000	200,000	200,000	200,000	
New Debt Service	415,800	960,000	960,000	960,000	960,000
Transfer to SRF Fund-reserve incr(decr)	415,800	544,200		(375,000)	
Contribution to Pipeline Project		1,500,000			
Total Expenses	21,319,683	18,125,126	16,534,220	16,720,417	17,094,091
Revenues in Excess (Shortfall) of Expenses	(4,382,958)	(415,609)	1,352,765	1,350,731	802,931
Operating Reserves-Beg	7,963,749	3,580,791	3,165,182	4,517,947	5,868,678
Operating Reserves-End	\$3,580,791	\$3,165,182	\$4,517,947	\$5,868,678	\$6,671,609

Utilities Reserves

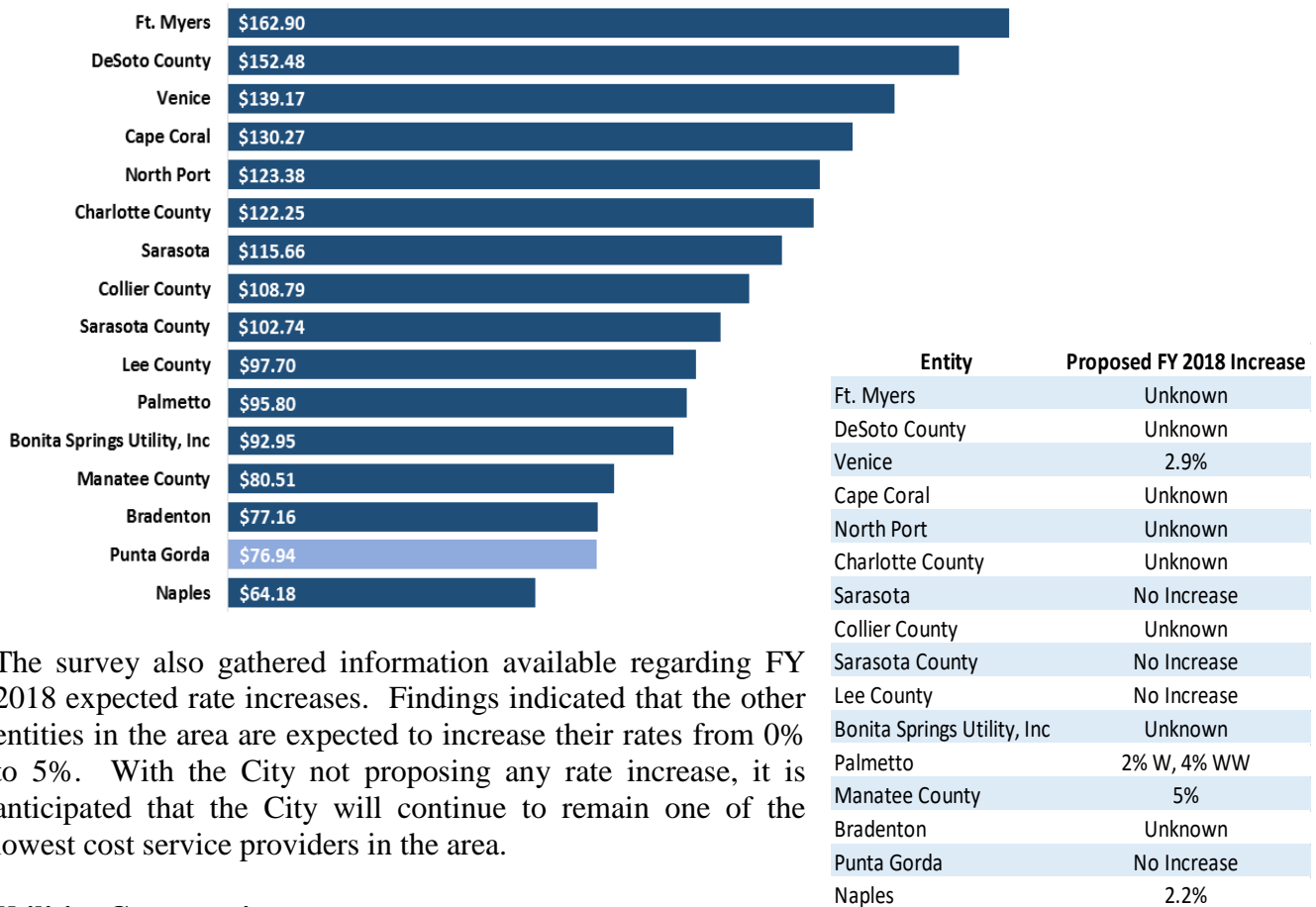
The City has legal and adopted financial policies utilizing reserves for the following purposes:

- 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 \$600,000 funding level in FY 2018; \$650,000 for FY 2019 and for FY 2020 through FY 2022 it is \$700,000. 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 SRF reserve fund maintains one year of debt service payments and proforma shows addition of \$415,800 in FY 2018 and \$960,000 in FY 2019, representing 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 R.O. plant and planned wastewater force main on Jones Loop Road.

Utilities Rate Comparison

The City's utility rates are the 2nd lowest among the Southwest Florida utilities surveyed at the current FY 2017 rates.

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



The survey also gathered information available regarding FY 2018 expected rate increases. Findings indicated that the other entities in the area are expected to increase their rates from 0% to 5%. With the City not proposing any rate increase, it is anticipated that the City will continue to remain one of the lowest cost service providers in the area.

Utilities Construction

Significant capital projects currently in progress that will be carried over to FY 2018 are the RO Exploratory wells, the RO Deep Injection Well, the Raw Water Pump Station upgrade, the Automated Meter Reading system installation and the Jones Loop Force Main extension project.

Total FY 2018 capital projects of \$12.6 million are being funded with \$1.4 million from impact fees, \$3.9 million SWFWMD grant (for the RO project), \$1.1 million as identified in the financial policies for ongoing recurring capital replacement and an additional \$6.2 million from user charges and unassigned operating reserves through a transfer to the Utilities Construction Fund.

The Groundwater Reverse Osmosis (RO) Water Treatment Plant project costs are in the 90% engineering estimate phase. The \$6.3 million budgeted between FY 2014 and 2017 are to design, test, and construct the well field, which is an integral component of the RO project and for the engineering firm contracted to oversee all aspects of the RO project, including design of the plant and construction. The \$6.7 million budgeted between FY 2015 and FY 2017 is for the deep injection well design and construction. The \$19.2 million budgeted in FY 2017 and the \$7.8 million budgeted in FY 2018 represent the planning number at the 90% engineering estimate for the RO plant construction. Plans to secure firm bids are slated for Fall 2017.

**Utilities Construction Fund
Proforma Schedule of Revenues and Expenses
Proposed FY 2018 through Proforma FY 2022**

	Proposed FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022
Revenues:					
Transfer from Utilities OM&R	\$7,310,000	\$1,335,000	\$1,290,000	\$1,395,000	\$1,120,000
Transfer from Sewer System Impacts	750,000	100,000	100,000	100,000	1,000,000
Transfer from Water System Impacts	650,000				
Intergovernmental Revenue	3,900,000				
Total Revenues	12,610,000	1,435,000	1,390,000	1,495,000	2,120,000
Expenses:					
Water/Wastewater Professional Svcs	200,000				
Water Treatment Plant Imprv	9,100,000	25,000	50,000	25,000	
Water Distribution System Imprv	220,000	220,000	220,000	220,000	220,000
Wastewater Collection System Imprv	2,400,000	900,000	900,000	900,000	900,000
Wastewater Treatment Plant Imprv	690,000	290,000	220,000	350,000	1,000,000
Total Expenses	12,610,000	1,435,000	1,390,000	1,495,000	2,120,000
Revenues in Excess of Expenses	\$0	\$0	\$0	\$0	\$0
Beg. Reserve for R&R Projects	\$1,047,019	\$1,047,019	\$1,047,019	\$1,047,019	\$1,047,019
End. Reserve for R&R Projects	\$1,047,019	\$1,047,019	\$1,047,019	\$1,047,019	\$1,047,019

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 11,700 residential accounts. For the 650 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 2018 with a proposed rate increase of \$0.90 per month or \$10.80 per year, due to a contract increase. The budget also reflects a 10-year fleet replacement program and is being reviewed for further lengthening. The four packers scheduled for replacement in FY 2016 were delayed while staff reviewed options for alternative service delivery. The City has decided to switch from a manual pick up system to semi-automatic trucks and purchase carts for the system. It is expected that this will reduce injuries and yet allow the full-service that Punta Gorda residents appreciate. As with the general and utility fund, City Council has approved funding of a capital outlay reserve in order to stabilize the funding source. However, with the need to purchase the carts in FY 2018, adequate funding cannot be accumulated in time for the FY 2020 purchase of three additional packers or in FY 2022 to purchase one packer and other equipment identified. The need will be analyzed and if possible, the packers in FY 2020 and 2022 will be delayed to avoid financing. The current proforma shows a need of financing all of the equipment replacement in FY 2022, in order to retain a 9.5% operating reserve. At this time, there is an indication that a rate increase may be a needed in FY 2021 or FY 2022 to support the fleet replacement. This will be addressed in the next year's budget process.

Sanitation Fund
Proforma Schedule of Revenues and Expenses
Proposed FY 2018 through Proforma FY 2022

	Proposed FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022
Revenues:					
Chg for Serv - Refuse Collection	\$3,488,160	\$3,600,294	\$3,712,707	\$3,825,402	\$3,938,380
Other Revenue	24,375	24,375	21,375	21,375	21,375
Capital Lease/Purchase					525,000
Total Revenues	3,512,535	3,624,669	3,734,082	3,846,777	4,484,755
Expenses:					
Operations	3,278,752	3,423,089	3,607,040	3,796,615	3,992,034
Capital	39,000		750,000		525,000
Carts	570,000				
Debt Service					43,750
Total Expenses	3,887,752	3,423,089	4,357,040	3,796,615	4,560,784
Revenues in Excess (Shortfall) of Expenses	(375,217)	201,580	(622,958)	50,162	(76,029)
Operating Reserves-Beg	940,322	465,105	466,685	443,727	493,889
Capital Outlay Reserves-Beg	300,000	400,000	600,000	0	0
Capital Outlay Reserves-End	\$400,000	\$600,000	\$0	\$0	\$0
Operating Reserves-End	\$465,105	\$466,685	\$443,727	\$493,889	\$417,860

To compare the City's rates with surrounding jurisdictions, a survey was taken during July 2016. All rates include once per week service for yard waste and recycling and either once or twice per week refuse pickup, as noted below.

Sanitation Rate Comparison for FY 2018

Jurisdiction	Proposed FY 2018 Cost/Year	Frequency of Service per Week	Outsourced
City of Sarasota	\$259.92	1	No
Punta Gorda	\$259.20	2	No
Naples	\$255.25	2	No
North Port	\$249.00	1	No
Fort Myers	\$228.96	1	No
Venice	\$202.08	2	No
Collier County	\$188.29	2	Yes
Manatee County	\$171.96	2	Yes
Cape Coral	\$163.43	1	Yes
Sarasota County	\$159.48	1	Yes
Charlotte County	\$148.04	1	Yes

Punta Gorda Isles Canal Maintenance District

The proposed budget for the Punta Gorda Isles (PGI) canal maintenance assessment district reflects the Advisory Committee recommendation to maintaining the annual operating assessment of \$550. This covers personnel costs and sustains current sq. ft. replacement program even with increased per sq. ft. contract prices.

The five-year proforma maintains the \$550 assessment in FY 2018 through FY 2022. Replacement of one vehicle is included in capital outlay in FY 2020 and channel construction to access spoil site in FY 2021.

**PGI Canal Maintenance Fund
Proforma Schedule of Revenues and Expenditures
Proposed FY 2018 through Proforma FY 2022**

	Proposed FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022
Assessment Rate	\$550	\$550	\$550	\$550	\$550
Revenues:					
Operating Assessment	\$2,861,750	\$2,861,750	\$2,861,750	\$2,861,750	\$2,861,750
Other Revenue	10,400	11,600	12,100	10,600	8,400
Total Revenues	2,872,150	2,873,350	2,873,850	2,872,350	2,870,150
Expenditures:					
Operations	968,975	966,235	969,855	1,004,910	1,041,470
Inlet Dredging	50,000	51,500	53,050	54,640	56,280
Seawalls, Caps and Stabilization	1,705,000	1,756,165	1,808,860	1,863,135	1,919,035
Capital	2,500	0	40,000	250,000	0
Total Expenditures	2,726,475	2,773,900	2,871,765	3,172,685	3,016,785
Revenues in Excess (Shortfall) of Expenditures	145,675	99,450	2,085	(300,335)	(146,635)
Operating Reserves-Beg	574,682	785,357	914,807	916,892	866,557
Reserve Seawall Replacement-Beg	345,000	280,000	250,000	250,000	0
Reserve Seawall Replacement-End	\$280,000	\$250,000	\$250,000	\$0	\$0
Operating Reserves-End	\$785,357	\$914,807	\$916,892	\$866,557	\$719,922

The following information has been placed in the City’s Geographic Information System database and is used to prioritize future repairs/replacement and budget needs. A new comprehensive inspection is scheduled to be completed in FY 2018.

Ratings of PGI Cap and Seawall Conditions	
Seawall Cap:	
Good condition:	460,701 ft. = 87.25 miles = 95.93%
Good needs repair:	1,771 ft. = 0.34 miles = 0.37%
Needs replacement:	11,232 ft. = 2.13 miles = 2.34%
Unable to assess:	6,548 ft. = 1.24 miles = 1.36%
Seawall:	
Good condition:	379,874 ft. = 71.95 miles = 79.10%
Needs monitored:	92,478 ft. = 17.51 miles = 19.26%
Needs replacement:	1,272 ft. = 0.24 miles = 0.26%
Unable to assess:	6,628 ft. = 1.26 miles = 1.38%

Burnt Store Isles Canal Maintenance District

The proposed budget for the Burnt Store Isles (BSI) canal maintenance assessment district reflects the Advisory Committee recommendation to reduce the annual assessment from \$570 to \$555.

The decrease of \$15 was due to the overall cost of the perimeter dredging project coming in under budget. The current assessment covers personnel costs and will initiate development of a seawall replacement reserve in anticipation of increased operating costs due to pending reduction in available staging lots.

**BSI Canal Maintenance Fund
Proforma Schedule of Revenues and Expenditures
Proposed FY 2018 through Proforma FY 2022**

	Proposed FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022
Operating Rate	\$460	\$460	\$460	\$460	\$460
Dredging Rate	\$95	\$95	\$95	\$95	\$95
Revenues:					
Operating Assessment	\$474,800	\$474,800	\$474,800	\$474,800	\$474,800
Dredging Assessment	97,950	97,950	97,950	97,950	97,950
Other Revenue	2,500	3,150	2,150	1,400	2,200
Total Revenues	575,250	575,900	574,900	574,150	574,950
Expenditures:					
Operations	124,542	104,638	121,777	98,987	100,079
Inlet Dredging		38,000	38,000	38,000	38,000
Seawalls, Caps and Stabilization	264,100	311,000	311,000	311,000	311,000
Rim Dredging Proj Debt Service	86,700	86,700	86,700	86,700	86,700
Barge Access-Inlet Widening Proj			250,000		
Total Expenditures	475,342	540,338	807,477	534,687	535,779
Revenues in Excess (Shortfall) of Expenditures	99,908	35,562	(232,577)	39,463	39,171
Operating Reserves-Beg	101,591	191,499	192,061	94,484	133,947
Reserve Seawall Replacement-Beg	90,000	100,000	135,000	0	0
Reserve Seawall Replacement-End	\$100,000	\$135,000	\$0	\$0	\$0
Operating Reserves-End	\$191,499	\$192,061	\$94,484	\$133,947	\$173,118

The following information has been placed in the City’s Geographic Information System database and is used to prioritize future repairs/replacement and budget needs. A new comprehensive inspection is scheduled to be completed in FY 2018.

Ratings of BSI Cap and Seawall Conditions	
Seawall Cap:	
Good condition:	93,400 ft. = 17.69 miles = 98.27%
Good needs repair:	208 ft. = 0.04 miles = 0.22%
Needs replacement:	1,327 ft. = 0.25 miles = 1.40%
Unable to assess:	107 ft. = 0.02 miles = 0.11%
Seawall:	
Good condition:	81,632 ft. = 15.46 miles = 85.89%
Needs monitored:	13,303 ft. = 2.52 miles = 14.00%
Needs replacement:	0 ft. = 0.00 miles = 0.00%
Unable to assess:	107 ft. = 0.02 miles = 0.11%

Laishley Park Marina

Opened in April 2007, Laishley Park is operated as an enterprise fund to include the marina and park grounds. The City outsourced management of the marina to Marina Park LLC, however retained 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 personnel and operating costs associated with management of the marina area. The marina is operated and open year round.

The FY 2018 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 2018 to offset costs of maintenance and repairs of the Laishley Park Municipal Marina Pumpout Boat.

Laishley Park Marina Fund
Proforma Schedule of Revenues and Expenses
Proposed FY 2018 through Proforma FY 2022

	Proposed FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022
Revenues:					
Slip & Mooring Rentals	\$429,500	\$431,040	\$432,734	\$434,597	\$436,647
Intergovernmental Revenue	11,000	11,000	11,000	11,000	11,000
Other Revenue	24,150	24,500	24,500	24,850	24,850
Total Revenues	464,650	466,540	468,234	470,447	472,497
Expenses:					
Laishley Park Marina Expenses	196,015	199,297	204,808	210,564	216,579
Marina Park Contract Expenses	237,115	243,238	249,545	256,041	262,733
Capital Outlay	6,000	6,000	6,000	6,000	6,000
Total Expenses	439,130	448,535	460,353	472,605	485,312
Revenues in Excess (Shortfall) of Expenses	25,520	18,005	7,881	(2,158)	(12,815)
Operating Reserves-Beg	286,994	312,514	330,519	338,400	336,242
Operating Reserves-End	\$312,514	\$330,519	\$338,400	\$336,242	\$323,427

The five-year proforma maintains the July 2016 rate schedules. Operations have been increased to allow for dredging, dock and mooring field maintenance. Based on current usage the fund is self-sustaining for operations. FY 2018 Capital outlay includes R&M for the mooring field, connectivity with the City and replacement of appliances in the boaters' laundry facilities.

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, and an additional full-time building inspector was added and the part-time permit clerk position was increased to full-time during FY 2016. Total positions remains at eight for FY 2018.

The FY 2018 budget assumes continued growth in permit revenues. Permit fees will remain the same. The five year proforma projects permit revenues increasing approximately 4-5% in FY 2018 and remaining level in FY 2019 through FY 2022. A staffing level change to add an inspector and clerk are projected in FY 2019. 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 replacement of one vehicle in FY 2018 and a new vehicle in FY 2019 if necessary. 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.

Building Fund
Proforma Schedule of Revenues and Expenses
Proposed FY 2018 through Proforma FY 2022

	Proposed FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022
Revenues:					
Permits, Fees & Spec.Assessments	\$921,250	\$916,250	\$916,250	\$916,250	\$916,250
Other Revenue	35,000	35,000	33,500	32,500	30,500
Total Revenues	956,250	951,250	949,750	948,750	946,750
Expenses:					
Operations	878,081	1,041,548	1,079,383	1,118,741	1,159,691
Capital	26,500	25,000			
Total Expenses	904,581	1,066,548	1,079,383	1,118,741	1,159,691
Revenues in Excess (Shortfall) of Expenses	51,669	(115,298)	(129,633)	(169,991)	(212,941)
Operating Reserves-Beg	1,147,724	1,199,393	1,084,095	954,462	784,471
Operating Reserves-End	\$1,199,393	\$1,084,095	\$954,462	\$784,471	\$571,530

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 2018. A history of revenue received since FY 2008 is displayed below.

Fiscal Year	6 Cents	5 Cents	Total
2009	\$ 559,550	\$ 243,310	\$ 802,860
2010	\$ 567,590	\$ 241,760	\$ 809,350
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	\$ 837,000
2017	\$ 590,000	\$ 278,000	\$ 846,000
2018	\$ 592,000	\$ 281,000	\$ 873,000

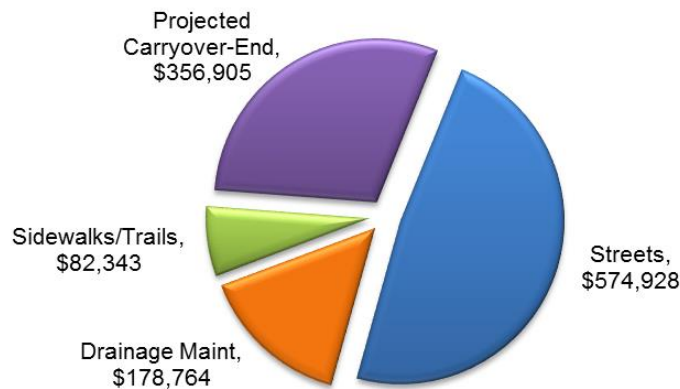
The effect of elasticity of gas consumption (the tax is charged on gallons not dollars) in the past years of increased gas prices resulted in a decline of revenue in the high priced years. Revenues have increased during the recent gas price reduction.

The Six Cent Gas Tax Fund five-year proforma maintains the current level of service and projects the use of reserves to cover shortfalls through FY 2022.

**Six Cent Gas Tax Fund
Proforma Schedule of Revenues and Expenditures
Proposed FY 2018 through Proforma FY 2022**

	Proposed FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022
Revenues:					
Local Option Gas Tax	\$592,000	\$598,000	\$604,000	\$610,000	\$616,000
Other Revenue	245,595	245,345	245,045	244,345	243,645
Total Revenues	837,595	843,345	849,045	854,345	859,645
Expenditures:					
Operating Expenditures	836,035	861,115	886,950	913,560	940,965
Total Expenditures	836,035	861,115	886,950	913,560	940,965
Revenues in Excess (Shortfall) of Expenditures	1,560	(17,770)	(37,905)	(59,215)	(81,320)
Operating Reserves-Beg	355,345	356,905	339,135	301,230	242,015
Operating Reserves-End	\$356,905	\$339,135	\$301,230	\$242,015	\$160,695

**Six Cent Gas Tax Fund
FY 2018 Budgeted Expenditures**

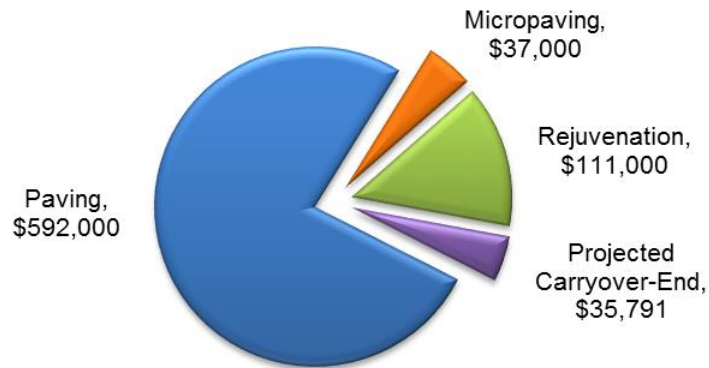


The Additional Five Cent Gas Tax Fund five-year proforma projects a slightly increasing tax revenue, which does not fully support the required annual paving program as identified by the City Engineering Division. Council addressed the importance of maintaining the City’s road infrastructure with a policy 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
Proposed FY 2018 through Proforma FY 2022**

	Proposed FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022
Revenues:					
Local Option Gas Tax	\$281,000	\$284,000	\$287,000	\$290,000	\$293,000
Transfer from General Fund Ad Valorem	459,000	459,000	459,000	459,000	459,000
Total Revenues	740,000	743,000	746,000	749,000	752,000
Expenditures:					
Paving	740,000	740,000	745,000	750,000	755,000
Total Expenditures	740,000	740,000	745,000	750,000	755,000
Revenues in Excess (Shortfall) of Expenditures	0	3,000	1,000	(1,000)	(3,000)
Operating Reserves-Beg	35,791	35,791	38,791	39,791	38,791
Operating Reserves-End	\$35,791	\$38,791	\$39,791	\$38,791	\$35,791

**Additional Five Cent Gas Tax Fund
FY 2018 Budgeted Expenditures**



1% Local Option Sales Tax

The voters of Charlotte County approved a six-year extension of the 1% Local Option Sales Tax in November 2014. A special revenue fund is being used to account for all activity. The previous revenue was accounted for in the general fund and then transferred to the capital construction fund, thereby creating unnecessary transfers and loss of transparency.

The City anticipates funding in the amount of \$16.4 million from January 1, 2015 through December 31, 2020 when the tax sunsets unless extended by the voters of the County. Projects incorporated in the six-year program for FY 2018 include:

- Harborwalk West – Gilchrist Restrooms Project
- Punta Gorda Pathways Enhancements
- Ponce de Leon Park and Restroom re-design, to include the Peace River Wildlife Center and ADA improvements
- City-wide ADA improvements
- Fleet and Public Safety Equipment
- Project Management

The following projects will continue during FY 2018:

- Corto Andra/Boca Grande Stormwater Project
- Gilchrist Park Playground
- Sidewalk Improvements
- Information Technology Equipment

DEBT MANAGEMENT

As of September 30, 2016 the City had \$18.1 million in notes. The City is not subject to state debt limits, nor is there a limit set by the City Charter. The City's financial policies address appropriate uses and levels of debt. Detail of all current city debt can be found in Section 11 of the budget document.

The projected FY 2017 and FY 2018 combined budgets anticipates financing in the amount of \$15.7 million for the Reverse Osmosis water treatment plant project. Debt service associated with the above financing will be repaid with water user and impact fees. See Utilities fund for more details.

UNRESOLVED ISSUES

Most issues are resolved during the budget preparation and adoption process. However, there are usually several issues which will be worked out after the new fiscal year has begun and developments begin to unfold or new information becomes available. This budget is not unusual in that respect. We have several issues that are still in formative stages that will need resolution and some may need additional funding in the years to come.

Additional Harbor Access in Punta Gorda Isles (Bird Section Cut Through) – In April and May 2016, City Council approved contracts with Hans Wilson & Associates (engineering, design and permitting) and Nabors Giblin (assessment methodology for benefitted properties). The permitting process is well underway, and the City has already received a permit from the Florida Department of Environmental Protection. The Army Corps of Engineers is now in the review process. Still to be finalized are adoption of the methodology to be used to assess benefitted properties (reviewed by City Council in May 2017), agreement with the property owner where the desired route is located, and final project costs.

Ponce de Leon Park – City Council approved the selection of Herston Engineers in May 2016 to complete a redesign plan for the park at no charge to the City. The City is currently reviewing 60% design plans, with construction anticipated to begin April 2018 in conjunction with the Peace River Wildlife Center relocation into the park environs.

Annexation – A voluntary annexation agreement with Walmart/Murphy Oil has been approved, and land use/zoning amendments are in process. In 2016, the ratio of residential to commercial/industrial property valuation was 86% to 10%. The City's strategic goal is to attain a 75% to 25% ratio. Both of the mentioned commercial proprietors will assist the City's effort in this avenue.

Fishermen's Village Land Sale - City Council approved sale of City-owned land in Fishermen's Village to the current lease holders in an amount of \$3.5 million in return for an investment totaling approximately \$30 million. Completion of Phase 1 improvements (restrooms and harborwalk) are underway. Phase 2 improvements (mixed-use building, parking, swimming pool and recreation) are pending successful resolution of a lawsuit from heirs of the Trabue family pertaining to the purchase.

Advanced Metering Infrastructure – The current delivery model outsources meter reading to a private firm using hand held devices to read each meter. The City is in procurement process of transitioning to a more automated system in order to enhance efficiencies and more accurate reads and have the ability to inform the customer of leak-related issues in a timely manner. A staff selection committee is currently evaluating three firms and will present a final recommendation to City Council by fiscal year end, in order to initiate the implementation phase during FY 2018.


RO Plant Construction – The groundwater permit and RO plant design are both under review by the Southwest Florida Water Management District (SWFWMD). Once approved, the City’s construction management firm can bid the plant construction and be underway during FY 2018.

I believe this proposed operating budget is a reflection of the City Council’s priorities and established policies. As always, the development of the budget takes a concerted effort from all departments. I would like to commend the efforts of all employees for their prompt and thoughtful response to the budget process. I would also like to thank the Finance Department, in particular, for their united effort in assisting me in the development of this document.

Throughout the year, we will continue monitoring economic trends as they may affect current and future City revenues.

Finally, I would like to thank the City Council for giving me this opportunity to propose the City of Punta Gorda budget for fiscal year 2018.

Sincerely,



Howard Kunik
City Manager