

**City of Punta Gorda**

**LONG RANGE FINANCIAL PLAN**

**Fiscal Years 2018-2022**



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

The Fiscal Years 2018-2022 Long Range Financial Plan presents multi-year fiscal forecasts for the City's major fund groups as well as a comparison of the City's financial management policies in relation to national standards. In addition, the Plan identifies costs of service for each operating division and descriptions of those services. This will allow for review of the priority of valued services and whether to continue budgeting for in the future. The Plan is shown in the following format:

### Section 1: Major Fund Five-Year Fiscal Forecasts

### Section 2: Financial Management Policies & National Standards

### Section 3: Budget Issues

# Section 1: Major Fund Five-Year Fiscal Forecasts

## Core Level of Service Comparative Analysis

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

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

### Basic Tax Fee Comparison Single Family Residential

#### based on taxable value of \$100,000

|                           | Bonita Springs   | Naples           | Punta Gorda      | Venice           | Sarasota         | North Port         | Cape Coral         | Fort Myers         |
|---------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|--------------------|
| Property Taxes            | \$ 81.73         | \$ 115.00        | \$ 319.69        | \$ 360.00        | \$ 317.28        | \$ 340.70          | \$ 675.00          | \$ 865.00          |
| Water & Sewer             | \$ 92.95         | \$ 64.21         | \$ 76.94         | \$ 144.77        | \$ 115.66        | \$ 125.72          | \$ 130.27          | \$ 162.90          |
| Sanitation                | \$ 179.08        | \$ 255.25        | \$ 259.20        | \$ 202.08        | \$ 259.92        | \$ 249.00          | \$ 119.19          | \$ 228.96          |
| Fire Service              | \$ 233.00        | \$ -             | \$ -             | \$ -             | \$ 174.30        | \$ 189.77          | \$ 162.80          | \$ 77.91           |
| Roads/Drainage/Stormwater | \$ -             | \$ 160.20        | \$ -             | \$ -             | \$ 26.90         | \$ 165.00          | \$ 111.00          | \$ 218.88          |
| Debt Service              | \$ -             | \$ -             | \$ -             | \$ 67.80         | \$ 27.45         | \$ -               | \$ -               | \$ -               |
| <b>TOTAL</b>              | <b>\$ 586.76</b> | <b>\$ 594.66</b> | <b>\$ 655.83</b> | <b>\$ 774.65</b> | <b>\$ 921.51</b> | <b>\$ 1,070.19</b> | <b>\$ 1,198.26</b> | <b>\$ 1,553.65</b> |

#### based on taxable value of \$250,000

|                           | Naples           | Bonita Springs     | Punta Gorda        | Sarasota           | Venice             | North Port         | Cape Coral         | Fort Myers         |
|---------------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Property Taxes            | \$ 287.50        | \$ 204.33          | \$ 799.22          | \$ 793.20          | \$ 900.00          | \$ 851.75          | \$ 1,687.50        | \$ 2,162.50        |
| Water & Sewer             | \$ 64.21         | \$ 92.95           | \$ 76.94           | \$ 115.66          | \$ 144.77          | \$ 125.72          | \$ 130.27          | \$ 162.90          |
| Sanitation (Solid Waste)  | \$ 255.25        | \$ 179.08          | \$ 259.20          | \$ 259.92          | \$ 202.08          | \$ 249.00          | \$ 190.19          | \$ 228.96          |
| Fire Service              | \$ -             | \$ 582.50          | \$ -               | \$ 174.30          | \$ -               | \$ 189.77          | \$ 220.70          | \$ 77.91           |
| Roads/Drainage/Stormwater | \$ 160.20        | \$ -               | \$ -               | \$ 26.90           | \$ -               | \$ 165.00          | \$ 111.00          | \$ 218.88          |
| Debt Service              | \$ -             | \$ -               | \$ -               | \$ 27.45           | \$ 169.50          | \$ -               | \$ -               | \$ -               |
| <b>TOTAL</b>              | <b>\$ 767.16</b> | <b>\$ 1,058.86</b> | <b>\$ 1,135.36</b> | <b>\$ 1,397.43</b> | <b>\$ 1,416.35</b> | <b>\$ 1,581.24</b> | <b>\$ 2,339.66</b> | <b>\$ 2,851.15</b> |

## General Fund

Based on anticipated increases of 6% in taxable property valuations, retention of current millage rate, and 2% to 3% increases in shared state revenues and other general fund revenues, the five year fiscal forecast projects deficits in the range of \$.7 million to \$.5 million per year from FY 2020 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 previously instituted budget reduction measures and increased growth-related revenues, projected shortfalls, which were as high as \$3.4 million several years ago, have been significantly reduced.

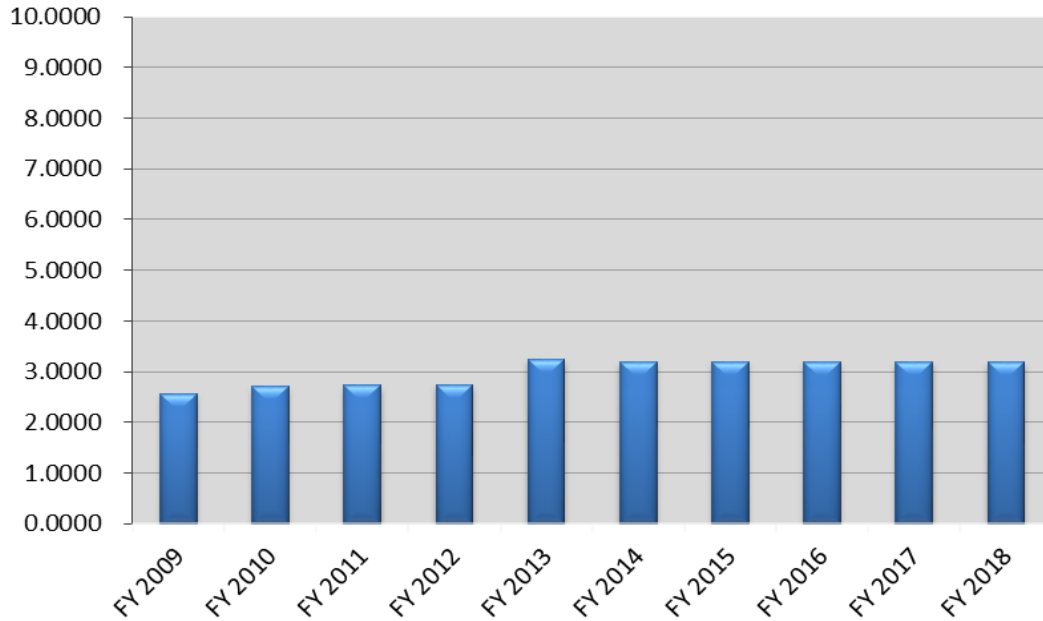
### General Fund Proforma Schedule of Revenues and Expenditures FY 2018 through FY 2022

|                                          | Budget<br>FY 2018  | Proforma<br>FY 2019 | Proforma<br>FY 2020 | Proforma<br>FY 2021 | Proforma<br>FY 2022 |
|------------------------------------------|--------------------|---------------------|---------------------|---------------------|---------------------|
| Change in Taxable Value of Property      | 7.4%               | 6%                  | 6%                  | 6%                  | 6%                  |
| <b>Revenues:</b>                         |                    |                     |                     |                     |                     |
| 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             |                     |                     |                     |
| <b>Total Revenues</b>                    | <b>20,989,827</b>  | <b>21,036,992</b>   | <b>21,433,677</b>   | <b>21,824,200</b>   | <b>22,837,435</b>   |
| <b>Expenditures:</b>                     |                    |                     |                     |                     |                     |
| 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              |
| <b>Total General Expenditures</b>        | <b>20,989,827</b>  | <b>21,036,992</b>   | <b>22,102,107</b>   | <b>22,409,250</b>   | <b>23,328,785</b>   |
| <b>Expenditures in Excess of Revenue</b> | <b>\$0</b>         | <b>\$0</b>          | <b>(\$668,430)</b>  | <b>(\$585,050)</b>  | <b>(\$491,350)</b>  |
| <b>Minimum Reserve (7.5% to 9.5%)</b>    | <b>\$1,575,000</b> | <b>\$1,683,000</b>  | <b>\$1,849,000</b>  | <b>\$2,017,000</b>  | <b>\$2,195,000</b>  |

## Millage and Taxable Assessed Value

The 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 - 2018**



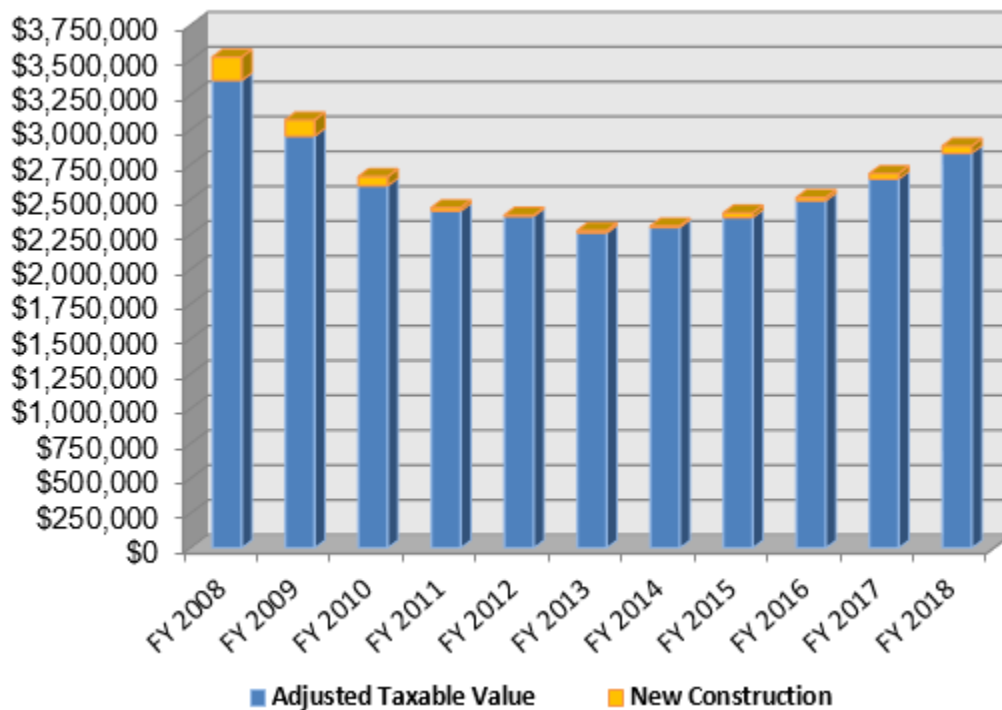
*A mill is equal to one dollar of tax for each \$1,000 of taxable value.  
Florida Statutes caps the millage rate at 10 mills.*

## 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.

### Fund Balance

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

- An adequate level of unrestricted fund balance will be maintained so credit rating agencies will recognize the City is in sound financial condition when they evaluate the City's credit worthiness.
- The City will strive to follow the GFOA recommendation for a minimum level of unrestricted fund balance for the General Fund. The GFOA states the unrestricted fund balance for the General Fund should be a minimum of 2 months of operating expenditures, or 16.67%.
- For the General Fund and all other operating funds, except the Utilities Fund, the City will establish an unassigned fund balance minimum of 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.

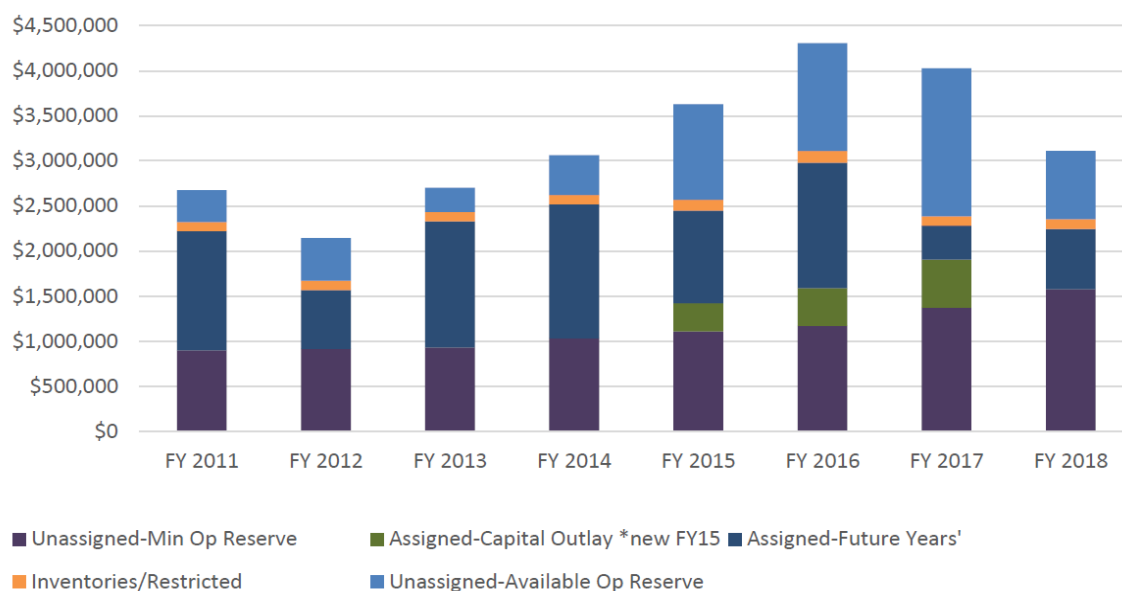
During the period FY 2007 through FY 2017, the City earmarked a portion of reserves over the minimum policy to assist in paying for ongoing levels of service until such time as the economy fully rebounds. FY 2018 continues this practice.

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

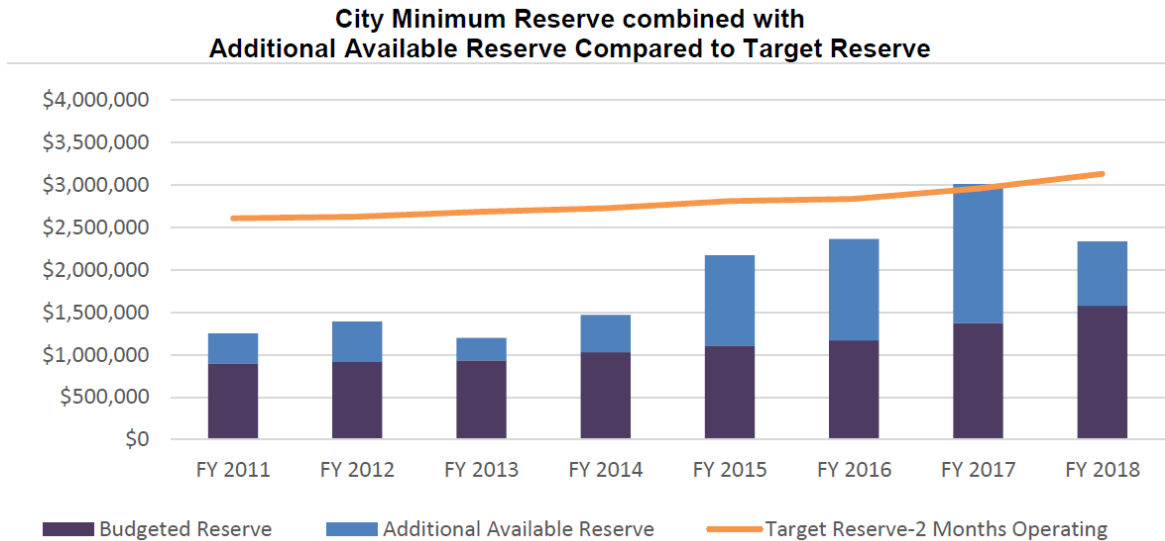
| Fund Balance Category                     | FY 2015             | % of         | FY 2016             | % of         | Projected           |              | Proposed            |              |
|-------------------------------------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|
|                                           | 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%         |
| <b>Total Fund Balance</b>                 | <b>\$ 3,629,418</b> | <b>20.0%</b> | <b>\$ 4,306,287</b> | <b>23.9%</b> | <b>\$ 4,025,018</b> | <b>21.0%</b> | <b>\$ 3,113,563</b> | <b>14.8%</b> |
| General Fund Orig Budgeted Expenditures   | \$ 18,184,385       |              | \$ 18,003,350       |              | \$ 19,185,943       |              | \$ 20,989,827       |              |

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%.

**General Fund Balance  
CAFR Data FYE 2011-2016 and Budget Data FYE 2017-2018**



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. 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 proforma. 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 comprehensive annual financial report 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.

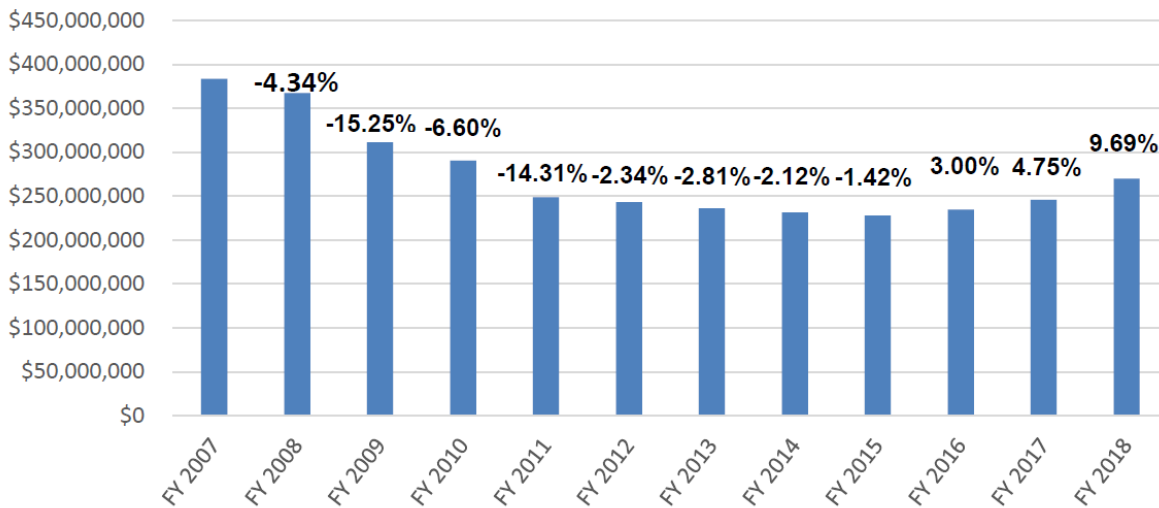


The CRA has experienced dramatic fluctuations in taxable assessed value and related City/County tax increment finance (TIF) contributions over the past ten years. The tables shown here provide history of taxable value and revenue generated from TIF since FY 2007.

| 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.

**Gross CRA Taxable Assessed Value and Percentage Change from Prior Year**



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 carry over 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  
FY 2018 through FY 2022**

|                                                       | <b>Budget<br/>FY 2018</b> | <b>Proforma<br/>FY 2019</b> | <b>Proforma<br/>FY 2020</b> | <b>Proforma<br/>FY 2021</b> | <b>Proforma<br/>FY 2022</b> |
|-------------------------------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Debt Service Division</b>                          |                           |                             |                             |                             |                             |
| Assessed Property Valuation change                    | <b>9.7%</b>               | <b>3%</b>                   | <b>3%</b>                   | <b>3%</b>                   | <b>0%</b>                   |
| 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                   |
| <b>Reserve - TIF for Debt Svc (End)</b>               | <b>\$696,723</b>          | <b>\$1,032,300</b>          | <b>\$1,372,938</b>          | <b>\$1,722,044</b>          | <b>\$2,022,132</b>          |
| <b>Herald Court Operations Division</b>               |                           |                             |                             |                             |                             |
| 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<br>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                     |
| <b>Reserve - Herald Ct (End)</b>                      | <b>\$188,637</b>          | <b>\$272,048</b>            | <b>\$344,766</b>            | <b>\$410,535</b>            | <b>\$472,160</b>            |
| <b>CRA Operations Division</b>                        |                           |                             |                             |                             |                             |
| 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<br>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                     |
| <b>Reserve - Other Operations (End)</b>               | <b>\$300,268</b>          | <b>\$259,415</b>            | <b>\$218,313</b>            | <b>\$177,171</b>            | <b>\$135,897</b>            |

## Utilities

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 proforma eliminates the 4% water and sewer rate increase previously planned for FY 2018. 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 FY 2018 through FY 2022

|                                                   | Budget<br>FY 2018  | Proforma<br>FY 2019 | Proforma<br>FY 2020 | Proforma<br>FY 2021 | Proforma<br>FY 2022 |
|---------------------------------------------------|--------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Revenues:</b>                                  |                    |                     |                     |                     |                     |
| 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             |
| <b>Total Revenues</b>                             | <b>16,936,725</b>  | <b>17,709,517</b>   | <b>17,886,985</b>   | <b>18,071,148</b>   | <b>17,897,022</b>   |
| <b>Expenses:</b>                                  |                    |                     |                     |                     |                     |
| 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           |                     |                     |                     |
| <b>Total Expenses</b>                             | <b>21,319,683</b>  | <b>18,125,126</b>   | <b>16,534,220</b>   | <b>16,720,417</b>   | <b>17,094,091</b>   |
| <b>Revenues in Excess (Shortfall) of Expenses</b> | <b>(4,382,958)</b> | <b>(415,609)</b>    | <b>1,352,765</b>    | <b>1,350,731</b>    | <b>802,931</b>      |
| <b>Operating Reserves-Beg</b>                     | <b>7,963,749</b>   | <b>3,580,791</b>    | <b>3,165,182</b>    | <b>4,517,947</b>    | <b>5,868,678</b>    |
| <b>Operating Reserves-End</b>                     | <b>\$3,580,791</b> | <b>\$3,165,182</b>  | <b>\$4,517,947</b>  | <b>\$5,868,678</b>  | <b>\$6,671,609</b>  |

### 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 2018 rates based on combined water & sewer bill at 7,000 gallons per month.

#### Water & Sewer Rate Comparison for FY 2018

| Jurisdiction                | Rate           |
|-----------------------------|----------------|
| <b>Ft. Myers</b>            | \$162.90       |
| DeSoto County               | \$160.17       |
| Venice                      | \$144.77       |
| Cape Coral                  | \$130.27       |
| North Port                  | \$125.72       |
| Charlotte County            | \$122.25       |
| Sarasota                    | \$115.66       |
| Collier County              | \$111.99       |
| Sarasota County             | \$102.74       |
| Palmetto                    | \$100.14       |
| Lee County                  | \$97.70        |
| Bonita Springs Utility, Inc | \$92.95        |
| Manatee County              | \$80.51        |
| Bradenton                   | \$80.26        |
| <b>Punta Gorda</b>          | <b>\$76.94</b> |
| Naples                      | \$64.21        |

### 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 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 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 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 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 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**  
**FY 2018 through FY 2022**

|                                                   | <b>Budget<br/>FY 2018</b> | <b>Proforma<br/>FY 2019</b> | <b>Proforma<br/>FY 2020</b> | <b>Proforma<br/>FY 2021</b> | <b>Proforma<br/>FY 2022</b> |
|---------------------------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Revenues:</b>                                  |                           |                             |                             |                             |                             |
| 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                     |
| <b>Total Revenues</b>                             | <b>3,512,535</b>          | <b>3,624,669</b>            | <b>3,734,082</b>            | <b>3,846,777</b>            | <b>4,484,755</b>            |
| <b>Expenses:</b>                                  |                           |                             |                             |                             |                             |
| 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                      |
| <b>Total Expenses</b>                             | <b>3,887,752</b>          | <b>3,423,089</b>            | <b>4,357,040</b>            | <b>3,796,615</b>            | <b>4,560,784</b>            |
| <b>Revenues in Excess (Shortfall) of Expenses</b> | <b>(375,217)</b>          | <b>201,580</b>              | <b>(622,958)</b>            | <b>50,162</b>               | <b>(76,029)</b>             |
| <b>Operating Reserves-Beg</b>                     | <b>940,322</b>            | <b>465,105</b>              | <b>466,685</b>              | <b>443,727</b>              | <b>493,889</b>              |
| <b>Capital Outlay Reserves-Beg</b>                | <b>300,000</b>            | <b>400,000</b>              | <b>600,000</b>              | <b>0</b>                    | <b>0</b>                    |
| <b>Capital Outlay Reserves-End</b>                | <b>\$400,000</b>          | <b>\$600,000</b>            | <b>\$0</b>                  | <b>\$0</b>                  | <b>\$0</b>                  |
| <b>Operating Reserves-End</b>                     | <b>\$465,105</b>          | <b>\$466,685</b>            | <b>\$443,727</b>            | <b>\$493,889</b>            | <b>\$417,860</b>            |

To compare the City's rates with surrounding jurisdictions, a survey was taken during December 2017. All rates include once per week service for yardwaste and recycling, and either once or twice per week refuse pickup, as noted below.

**Sanitation Rate Comparison for FY 2018**

| <b>Jurisdiction</b>     | <b>FY 2018 Cost/Year</b> | <b>Service per Week</b> | <b>Outsourced</b> |
|-------------------------|--------------------------|-------------------------|-------------------|
| <b>City of Sarasota</b> | \$259.92                 | 1                       | No                |
| <b>Punta Gorda</b>      | <b>\$259.20</b>          | <b>2</b>                | <b>No</b>         |
| <b>Naples</b>           | \$255.25                 | 2                       | No                |
| <b>North Port</b>       | \$249.00                 | 1                       | No                |
| <b>Fort Myers</b>       | \$228.96                 | 1                       | No                |
| <b>Venice</b>           | \$202.08                 | 2                       | No                |
| <b>Collier County</b>   | \$188.29                 | 2                       | Yes               |
| <b>Charlotte County</b> | \$172.00                 | 1                       | Yes               |
| <b>Manatee County</b>   | \$171.96                 | 2                       | Yes               |
| <b>Cape Coral</b>       | \$163.43                 | 1                       | Yes               |
| <b>Sarasota County</b>  | \$159.48                 | 1                       | Yes               |

**Canal Maintenance Districts Funds**

**Punta Gorda Isles Canal Maintenance District**

The FY 2018 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  
FY 2018 through FY 2022**

|                                                       | <b>Budget<br/>FY 2018</b> | <b>Proforma<br/>FY 2019</b> | <b>Proforma<br/>FY 2020</b> | <b>Proforma<br/>FY 2021</b> | <b>Proforma<br/>FY 2022</b> |
|-------------------------------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Assessment Rate                                       | <b>\$550</b>              | <b>\$550</b>                | <b>\$550</b>                | <b>\$550</b>                | <b>\$550</b>                |
| <b>Revenues:</b>                                      |                           |                             |                             |                             |                             |
| 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                       |
| <b>Total Revenues</b>                                 | <b>2,872,150</b>          | <b>2,873,350</b>            | <b>2,873,850</b>            | <b>2,872,350</b>            | <b>2,870,150</b>            |
| <b>Expenditures:</b>                                  |                           |                             |                             |                             |                             |
| 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                           |
| <b>Total Expenditures</b>                             | <b>2,726,475</b>          | <b>2,773,900</b>            | <b>2,871,765</b>            | <b>3,172,685</b>            | <b>3,016,785</b>            |
| <b>Revenues in Excess (Shortfall) of Expenditures</b> | <b>145,675</b>            | <b>99,450</b>               | <b>2,085</b>                | <b>(300,335)</b>            | <b>(146,635)</b>            |
| <b>Operating Reserves-Beg</b>                         | <b>574,682</b>            | <b>785,357</b>              | <b>914,807</b>              | <b>916,892</b>              | <b>866,557</b>              |
| <b>Reserve Seawall Replacement-Beg</b>                | <b>345,000</b>            | <b>280,000</b>              | <b>250,000</b>              | <b>250,000</b>              | <b>0</b>                    |
| <b>Reserve Seawall Replacement-End</b>                | <b>\$280,000</b>          | <b>\$250,000</b>            | <b>\$250,000</b>            | <b>\$0</b>                  | <b>\$0</b>                  |
| <b>Operating Reserves-End</b>                         | <b>\$785,357</b>          | <b>\$914,807</b>            | <b>\$916,892</b>            | <b>\$866,557</b>            | <b>\$719,922</b>            |

**Burnt Store Isles Canal Maintenance District**

The FY 2018 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  
FY 2018 through FY 2022**

|                                                           | <b>Budget<br/>FY 2018</b> | <b>Proforma<br/>FY 2019</b> | <b>Proforma<br/>FY 2020</b> | <b>Proforma<br/>FY 2021</b> | <b>Proforma<br/>FY 2022</b> |
|-----------------------------------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Operating Rate                                            | \$460                     | \$460                       | \$460                       | \$460                       | \$460                       |
| Dredging Rate                                             | \$95                      | \$95                        | \$95                        | \$95                        | \$95                        |
| <b>Revenues:</b>                                          |                           |                             |                             |                             |                             |
| 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                       |
| <b>Total Revenues</b>                                     | <b>575,250</b>            | <b>575,900</b>              | <b>574,900</b>              | <b>574,150</b>              | <b>574,950</b>              |
| <b>Expenditures:</b>                                      |                           |                             |                             |                             |                             |
| 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                     |                             |                             |
| <b>Total Expenditures</b>                                 | <b>475,342</b>            | <b>540,338</b>              | <b>807,477</b>              | <b>534,687</b>              | <b>535,779</b>              |
| <b>Revenues in Excess (Shortfall) of<br/>Expenditures</b> | 99,908                    | 35,562                      | (232,577)                   | 39,463                      | 39,171                      |
| <b>Operating Reserves-Beg</b>                             | 101,591                   | 191,499                     | 192,061                     | 94,484                      | 133,947                     |
| <b>Reserve Seawall Replacement-Beg</b>                    | 90,000                    | 100,000                     | 135,000                     | 0                           | 0                           |
| <b>Reserve Seawall Replacement-End</b>                    | \$100,000                 | \$135,000                   | \$0                         | \$0                         | \$0                         |
| <b>Operating Reserves-End</b>                             | <b>\$191,499</b>          | <b>\$192,061</b>            | <b>\$94,484</b>             | <b>\$133,947</b>            | <b>\$173,118</b>            |

**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  
FY 2018 through FY 2022**

|                                                       | <b>Budget<br/>FY 2018</b> | <b>Proforma<br/>FY 2019</b> | <b>Proforma<br/>FY 2020</b> | <b>Proforma<br/>FY 2021</b> | <b>Proforma<br/>FY 2022</b> |
|-------------------------------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Revenues:</b>                                      |                           |                             |                             |                             |                             |
| 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                      |
| <b>Total Revenues</b>                                 | <b>464,650</b>            | <b>466,540</b>              | <b>468,234</b>              | <b>470,447</b>              | <b>472,497</b>              |
| <b>Expenses:</b>                                      |                           |                             |                             |                             |                             |
| 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                       |
| <b>Total Expenses</b>                                 | <b>439,130</b>            | <b>448,535</b>              | <b>460,353</b>              | <b>472,605</b>              | <b>485,312</b>              |
| <b>Revenues in Excess (Shortfall) of<br/>Expenses</b> | <b>25,520</b>             | <b>18,005</b>               | <b>7,881</b>                | <b>(2,158)</b>              | <b>(12,815)</b>             |
| <b>Operating Reserves-Beg</b>                         | <b>286,994</b>            | <b>312,514</b>              | <b>330,519</b>              | <b>338,400</b>              | <b>336,242</b>              |
| <b>Operating Reserves-End</b>                         | <b>\$312,514</b>          | <b>\$330,519</b>            | <b>\$338,400</b>            | <b>\$336,242</b>            | <b>\$323,427</b>            |

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**  
**FY 2018 through FY 2022**

|                                                       | <b>Budget<br/>FY 2018</b> | <b>Proforma<br/>FY 2019</b> | <b>Proforma<br/>FY 2020</b> | <b>Proforma<br/>FY 2021</b> | <b>Proforma<br/>FY 2022</b> |
|-------------------------------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Revenues:</b>                                      |                           |                             |                             |                             |                             |
| 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                      |
| <b>Total Revenues</b>                                 | <b>956,250</b>            | <b>951,250</b>              | <b>949,750</b>              | <b>948,750</b>              | <b>946,750</b>              |
| <b>Expenses:</b>                                      |                           |                             |                             |                             |                             |
| Operations                                            | 878,081                   | 1,041,548                   | 1,079,383                   | 1,118,741                   | 1,159,691                   |
| Capital                                               | 26,500                    | 25,000                      |                             |                             |                             |
| <b>Total Expenses</b>                                 | <b>904,581</b>            | <b>1,066,548</b>            | <b>1,079,383</b>            | <b>1,118,741</b>            | <b>1,159,691</b>            |
| <b>Revenues in Excess (Shortfall) of<br/>Expenses</b> | <b>51,669</b>             | <b>(115,298)</b>            | <b>(129,633)</b>            | <b>(169,991)</b>            | <b>(212,941)</b>            |
| <b>Operating Reserves-Beg</b>                         | <b>1,147,724</b>          | <b>1,199,393</b>            | <b>1,084,095</b>            | <b>954,462</b>              | <b>784,471</b>              |
| <b>Operating Reserves-End</b>                         | <b>\$1,199,393</b>        | <b>\$1,084,095</b>          | <b>\$954,462</b>            | <b>\$784,471</b>            | <b>\$571,530</b>            |

**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.

| <b>Fiscal Year</b> | <b>6 Cents</b> | <b>5 Cents</b> | <b>Total</b> |
|--------------------|----------------|----------------|--------------|
| <b>2009</b>        | \$ 559,550     | \$ 243,310     | \$ 802,860   |
| <b>2010</b>        | \$ 567,590     | \$ 241,760     | \$ 809,350   |
| <b>2011</b>        | \$ 507,120     | \$ 234,770     | \$ 741,890   |
| <b>2012</b>        | \$ 531,480     | \$ 248,440     | \$ 779,920   |
| <b>2013</b>        | \$ 526,830     | \$ 243,570     | \$ 770,400   |
| <b>2014</b>        | \$ 548,900     | \$ 259,200     | \$ 808,100   |
| <b>2015</b>        | \$ 573,000     | \$ 266,700     | \$ 839,700   |
| <b>2016</b>        | \$ 588,200     | \$ 274,500     | \$ 837,000   |
| <b>2017</b>        | \$ 590,000     | \$ 278,000     | \$ 846,000   |
| <b>2018</b>        | \$ 592,000     | \$ 281,000     | \$ 873,000   |

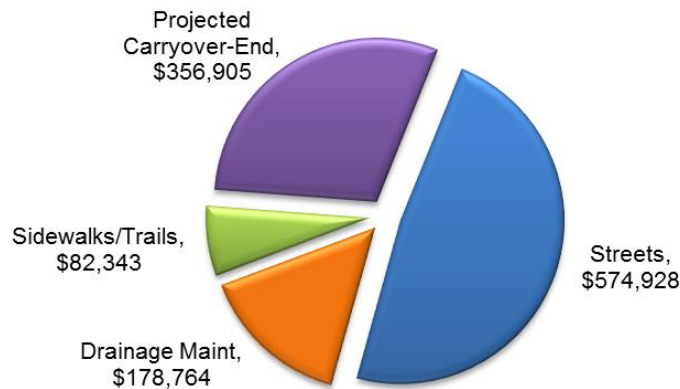
The effect of elasticity of gas consumption (the tax is charged on gallons not dollars) in the past years of increased gas prices resulted in a decline of revenue in the high priced years. Revenues have increased during the recent gas price reduction.

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  
FY 2018 through FY 2022**

|                                                           | <b>Budget<br/>FY 2018</b> | <b>Proforma<br/>FY 2019</b> | <b>Proforma<br/>FY 2020</b> | <b>Proforma<br/>FY 2021</b> | <b>Proforma<br/>FY 2022</b> |
|-----------------------------------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Revenues:</b>                                          |                           |                             |                             |                             |                             |
| 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                     |
| <b>Total Revenues</b>                                     | <b>837,595</b>            | <b>843,345</b>              | <b>849,045</b>              | <b>854,345</b>              | <b>859,645</b>              |
| <b>Expenditures:</b>                                      |                           |                             |                             |                             |                             |
| Operating Expenditures                                    | 836,035                   | 861,115                     | 886,950                     | 913,560                     | 940,965                     |
| <b>Total Expenditures</b>                                 | <b>836,035</b>            | <b>861,115</b>              | <b>886,950</b>              | <b>913,560</b>              | <b>940,965</b>              |
| <b>Revenues in Excess (Shortfall) of<br/>Expenditures</b> | <b>1,560</b>              | <b>(17,770)</b>             | <b>(37,905)</b>             | <b>(59,215)</b>             | <b>(81,320)</b>             |
| <b>Operating Reserves-Beg</b>                             | <b>355,345</b>            | <b>356,905</b>              | <b>339,135</b>              | <b>301,230</b>              | <b>242,015</b>              |
| <b>Operating Reserves-End</b>                             | <b>\$356,905</b>          | <b>\$339,135</b>            | <b>\$301,230</b>            | <b>\$242,015</b>            | <b>\$160,695</b>            |

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

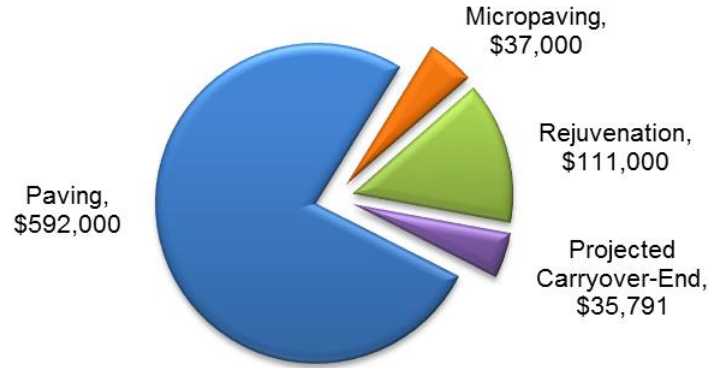


The Additional Five Cent Gas Tax Fund five-year proforma projects a slightly increasing tax revenue, which does not fully support the required annual paving program as identified by the City Engineering Division. Council addressed the importance of maintaining the City’s road infrastructure with a policy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

|                                                           | Budget<br>FY 2018 | Proforma<br>FY 2019 | Proforma<br>FY 2020 | Proforma<br>FY 2021 | Proforma<br>FY 2022 |
|-----------------------------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Revenues:</b>                                          |                   |                     |                     |                     |                     |
| 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             |
| <b>Total Revenues</b>                                     | <b>740,000</b>    | <b>743,000</b>      | <b>746,000</b>      | <b>749,000</b>      | <b>752,000</b>      |
| <b>Expenditures:</b>                                      |                   |                     |                     |                     |                     |
| Paving                                                    | 740,000           | 740,000             | 745,000             | 750,000             | 755,000             |
| <b>Total Expenditures</b>                                 | <b>740,000</b>    | <b>740,000</b>      | <b>745,000</b>      | <b>750,000</b>      | <b>755,000</b>      |
| <b>Revenues in Excess (Shortfall) of<br/>Expenditures</b> | <b>0</b>          | <b>3,000</b>        | <b>1,000</b>        | <b>(1,000)</b>      | <b>(3,000)</b>      |
| <b>Operating Reserves-Beg</b>                             | <b>35,791</b>     | <b>35,791</b>       | <b>38,791</b>       | <b>39,791</b>       | <b>38,791</b>       |
| <b>Operating Reserves-End</b>                             | <b>\$35,791</b>   | <b>\$38,791</b>     | <b>\$39,791</b>     | <b>\$38,791</b>     | <b>\$35,791</b>     |

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



## **Section 2: Financial Management Policies & National Standards**

The City of Punta Gorda has prepared a comprehensive set of financial management policies in the areas of financial planning, revenues, and expenditures for adoption by the City Council. These policies are based on recommended, best management practices established by the Governmental Finance Officers Association (GFOA). The most recent comprehensive update of the financial policies were adopted January 18, 2012, amended February 20, 2013, March 19, 2014, January 21, 2015, January 20, 2016, January 18, 2017 and April 19, 2017.

### Financial Planning Policies

Balanced Budget Policy: Defines a balanced operating budget and provides for disclosure when a deviation from a balanced operating budget is planned or when it occurs.

Long Range Planning Policy: Supports a financial planning process that assesses the long term financial implications of current and proposed operating and capital budgets, budget policies, cash management and investment policies, programs and assumptions.

Asset Inventory Policy: Requires an inventory and assessment of the condition of all major capital assets. This information will be used to plan for the ongoing financial commitments required to maximize the public's benefit.

### Revenue Policies

Understanding the revenue stream is essential to prudent planning. Policies should be established to recognize stable versus volatile revenues, or at best economically-sensitive revenue sources and predetermine the method to minimize the effect and thereby avoid potential service disruptions caused by revenue fluctuations.

### Expenditure Policies

The expenditures of municipalities define the ongoing public service commitment. Prudent expenditure planning and accountability will ensure fiscal stability. Policies should reflect the City's desire to maximize efficiency and allocation of scarce resources.

The policies on the following pages provide the framework for the City's financial management planning and decision-making process.

### Financial Planning Policies

The City makes program and service decisions and allocates scarce resources through the budget process. The mission of the budget process is to help decision makers make informed decisions about the provision of services and capital assets and to promote stakeholder participation in the process.

#### Balanced Budget:

Policy: The City will adopt a balanced operating budget and will provide for disclosure when a deviation from a balanced operating budget is planned or when it occurs. The City's

definition of a balanced budget is current revenues, including financing proceeds plus unrestricted fund balance, exceeds or equals current year appropriations.

*Status: The City's annual budget is balanced in accordance with the above defined parameters.*

**Policy:** A calendar will be designed each year to provide the framework necessary to formulate a sound budget and allow for stakeholder participation. The calendar will be set to ensure the City complies with the Truth in Millage (TRIM) law, Chapter 200, Florida Statutes.

*Status: The City's budget calendar adheres to the State TRIM law.*

**Policy:** For each fund all reasonably expected revenues and projected beginning carryover balance will equal the budgeted expenditures and year end carryover balance.

*Status: All funds budgeted include projections of annual revenues and expenditures and beginning/ending fund balances.*

**Policy:** All funds are included in the annual budget process and incorporated in the budget document.

*Status: The annual budget document includes all funds.*

**Policy:** The City will budget at least 95 percent of the anticipated gross ad valorem proceeds which provide a discount for early tax payments. Florida Statutes, section 200.065, states each taxing authority will not utilize less than 95 percent of the taxable value.

*Status: The FY 2018 budget reflects 96 percent of anticipated ad valorem revenue, in order to account for discounts and delinquent property owners.*

**Policy:** The City will maintain a budgetary control system, including an encumbrance system to ensure adherence to the budgeted appropriations.

*Status: The City uses an encumbrance system as required by the Code of Ordinances.*

**Policy:** Project length budgets are adopted for the Capital Improvement Projects. Appropriations for these projects will remain open and carry over to succeeding years until they are completed.

*Status: Capital improvements budgets for general construction, 1% local option sales tax, community redevelopment area, community development block grant, sanitation and utilities remain open until complete or canceled.*

**Policy:** Supplemental appropriations. If during the fiscal year the City Manager certifies that there are available for appropriation revenues in excess of those estimated in the budget, the City Council by resolution may make supplemental appropriations for the year up to the amount of such excess.

*Status: Grant awards were supplemental appropriations that were made during the FY 2017 period. Prior year incomplete projects are re-appropriated.*

Policy: Emergency appropriations. To meet a public emergency affecting life, health, property or the public peace, the City Council may by resolution make emergency appropriations. To the extent that there are no available unappropriated revenues to meet such appropriations, the City Council may by such resolution authorize the issuance of emergency notes which may be renewed from time to time, but the emergency notes and renewals of any fiscal year shall be paid not later than the last day of the fiscal year next succeeding that in which the emergency appropriation was made.

Status: *There were no emergency appropriations necessary for the FY 2017 period. The City has not been required to implement emergency appropriations in the past 24 years due to revenue shortfalls.*

Policy: Reduction of appropriations. If at any time during the fiscal year it appears probable to the City Manager that the revenues available will be insufficient to meet the amount appropriated, he or she shall report to the City Council without delay, indicating the estimated amount of the deficit, any remedial action taken and recommendations as to any other steps to be taken. The City Council shall then take such further action as it deems necessary to prevent or minimize any deficit and for that purpose it may by resolution reduce one or more appropriations.

Status: *There was no need for a reduction of appropriations during FY 2017. There has not been such a need in the past 24 years.*

Policy: Transfer of appropriations. At any time during the fiscal year the City Manager may transfer part or all of any unencumbered appropriation balance among programs within a department, office or agency and, upon written request by the City Manager, the City Council may by resolution transfer part or all of any unencumbered appropriation balance from one department, office or agency to another.

Status: *All transfers to date have been approved at the appropriate level. Reappropriations from the previous year's budget were approved by City Council. Any uses of operating reserves were approved by City Council.*

Policy: No appropriation for bonded debt service may be reduced or transferred, and no appropriation may be reduced below any amount required by law to be appropriated or by more than the amount of the unencumbered balance thereof.

Status: *All debt service appropriations remain in compliance with legal stipulations.*

#### Long Range Planning:

Policy: The City will support a financial planning process that assesses the long term financial implications of current and proposed operating and capital budgets, budget policies, cash management and investment policies, programs and assumptions.

Status: *This is an ongoing process of which the City will continue to adhere.*

Policy: The City will prepare multi-year fiscal forecasts for all of its major funds.

*Status: Multi-year fiscal forecasts are prepared for all major fund groups and delineated in the Long Range Financial Plan, Annual Budget and updated periodically throughout the fiscal year.*

**Policy:** The City will maintain a prudent cash management and investment program in order to meet daily cash requirements, increase funds available for investment and earn maximum rates of return on invested funds commensurate with appropriate security and the approved investment policy.

*Status: On September 5, 2001, the City adopted an Investment Policy in accordance with guidelines developed by the State of Florida. The City's cash management and investment program complies with such policies.*

**Policy:** The City will follow its adopted investment/portfolio policy when handling public funds.

*Status: As stated above, the City complies with guidelines in its Investment Policy.*

**Policy:** The City will pool cash from each fund for investment purposes.

*Status: The City pools cash for optimum tracking as well as investment purposes.*

**Policy:** On a monthly basis the Finance Department will prepare a Schedule of Investments report that details the amounts and types of U. S. Government securities, the amounts invested with the Local Government Surplus Trust Funds Investment Pool (LGSTFIP) and the amount in the interest earning checking account. The schedule will include the interest rate, market value, purchase date and maturity date.

*Status: The above schedules are prepared on a monthly basis and distributed to elected officials and available on the City's website for viewing by the community at large.*

#### Asset Inventory:

**Policy:** The City will inventory and assess the condition of all major capital assets. This information will be used to plan for the ongoing financial commitments required to maximize the public's benefit.

*Status: The asset inventory is conducted on an annual basis which coincides with the annual audit. Assets are purchased in compliance with the budget process, and records are maintained within the Finance Department. Asset write-offs are approved by the affected Department Director.*

**Policy:** The review of capital assets will assess the need for and condition of these assets. This review is an important component of an overall evaluation of community needs and priorities. This review will also focus on the impact of deferred maintenance, funding issues and legal or regulatory changes.

*Status: The inventory and review process assists the various departments as to age, condition, availability and quantity of their equipment. This review helps during the budget process.*

Policy: The City will annually prepare a 5 year capital outlay plan for replacement of existing capital outlay, based on an assessment of identified criteria including safety, efficiency and end of life.

Status: *Each Fund has a detailed 5 year capital outlay plan included in the budget document.*

Policy: The City shall encourage Charlotte County participation in the funding of the capital improvements that jointly serve both City and Charlotte County residents.

Status: *The City has and will continue to work with the County on any joint capital improvement needs. The most recent joint capital improvement projects were Public Safety communications center upgrade and 800 MHz radio frequency.*

Policy: The City will stay abreast of developments that may affect the major capital assets, such as regulatory changes, population movements or technological advances, and consider the impact of these issues in the goal setting process.

Status: *The above review takes place during the annual inventory audit and annual budget preparation.*

Policy: Capital projects will be budgeted in the General Construction Fund or the Utility Construction Fund as needed. 1% Local Option Sales Tax capital projects will be budgeted in the 1% Local Option Sales Tax Fund. CRA capital projects will be budgeted in the CRA budget. Canal Maintenance District capital projects will be budgeted within the District.

Status: *The annual budget reflects capital improvements projects within their respective fund groups as denoted above.*

Policy: Equipment that has a cost basis in excess of State of Florida statutory minimums will be assigned a fixed asset number and tagged to identify the equipment as property of the City.

Status: *The State statutory minimum is currently \$1,000. The City tags its fixed assets at this rate in compliance with the statutory minimum.*

Policy: City departments and divisions will be provided a list of equipment to perform an inventory check on an annual basis. Variances from the inventory list will be reported and the fixed asset inventory records will be updated.

Status: *The fixed asset inventory check is done at the end of each fiscal year, which is September 30. Variances are signed off by Department Directors.*



**Policy:** The Procurement Division shall have the power to sell or dispose of obsolete and surplus property by public auction, competitive sealed bidding, trade-in, or other appropriate methods in conformance with any applicable state law. No employee of the department having direct control of the commodities or handling the disposition of the commodities shall be entitled to purchase such commodities. No other City employee shall be allowed to purchase obsolete or surplus property except through a competitive bid process or public auction.

**Status:** *The City adheres to this policy for all disposed items.*

#### Revenue Policies:

An understanding of the revenue stream is essential to prudent financial planning. Most of these policies seek stability to avoid potential service disruptions caused by revenue shortfalls.

**Policy:** The City will estimate its annual revenues by objective and analytical processes. The budget document will include documentation of major revenue sources.

**Status:** *The analytical review of revenues uses 10 year historical data for various revenue sources and projected economic indicators. Use of both historical trends and economic*

**Policy:** The City shall maintain a diversified revenue system to the extent provided by Florida Statutes, in order to insulate it from short term fluctuations from any one revenue source.

**Status:** *The FY 2018 revenue structure (all funds) is as follows:*

|                                                 |            |
|-------------------------------------------------|------------|
| <i>Service Charges, Fines &amp; Forfeitures</i> | <i>23%</i> |
| <i>Intergovernmental</i>                        | <i>12%</i> |
| <i>Ad Valorem Taxes</i>                         | <i>9%</i>  |
| <i>Permits, Fees &amp; Assessments</i>          | <i>7%</i>  |
| <i>Other Taxes</i>                              | <i>4%</i>  |
| <i>Miscellaneous</i>                            | <i>4%</i>  |
| <i>Carryover, Financing &amp; Transfers</i>     | <i>41%</i> |

*As shown above, the City's revenue system is diverse and does not rely on any one revenue source to fund its overall operations.*

**Policy:** The City will analyze and prepare monthly reports that compare the budget with actual revenues for major funds. The reports will monitor progress toward the planned revenue goals. Significant changes may be uncovered in advance, permitting action to avoid a crisis.

**Status:** *Monthly financial reports for major funds are prepared and distributed to elected officials and available on the City's website for public viewing. The reports include budget vs. actual revenues and expenditures and identification of trends that denote any projected revenue variances or extraordinary expenses.*

- Policy: The City discourages the use of one time revenues to fund ongoing expenditures.
- Status: *One time revenues such as sale of property, equipment and/or capital grants are used to finance capital projects and/or purchase of equipment. FY 2017 supplemental appropriations included use of Fund Balances.*
- Policy: Grants should be actively pursued. All costs of grant requirements will be analyzed and presented with the proposal for City Council consideration. Revenues will be budgeted for current grants. The budget will be amended for new grants upon award.
- Status: *Grants are pursued by all of the City's departments. The City has received and/or been awarded \$32.8 million including a State Revolving Fund Loan partial award of \$15.7 million (FY 2017) and \$4.5 million (FY 2018) in grant monies to fund such projects as the Reverse Osmosis Plant, park development, streetscape, boating-related facilities, and police equipment. The five year Capital Improvement Program identifies several pending capital grants. In addition to the above, the City is host for the Charlotte Harbor National Estuary Program (CHNEP). Their funding is all grants from Federal, State and Local Sources in the amount of \$1.1 million (FY 2017) and \$1.0 million (FY 2018).*
- Policy: Sometimes governmental services are provided on credit. Properly documented controls over revenues are imperative in accounts receivable management. Timely efforts should be made to pursue the collection of delinquent accounts by the department generating the receivable.
- Status: *The City has implemented a variety of measures to collect monies owed, including lien powers, code enforcement and utility turn off.*
- Policy: Adjustments to account receivables must be properly documented using internal controls that include segregation of duties and supervisory review. Upon any suspicion of fraud, management should be notified in a timely manner.
- Status: *Internal controls over accounts receivable are in place. Suspicion of fraud or other malfeasance are brought to management and if necessary Police Department's attention, although these actions have not been necessary.*
- Policy: The use of revenues which have been pledged to bondholders will conform to the bond covenants which commit those revenues.
- Status: *Currently there are no outstanding bond issues.*
- Policy: The City will recalculate the full cost of activities supported by user fees to identify the impact of inflation and other cost increases and will revise user fees upon approval of the City Council.
- Status: *Fee changes are initiated through the ordinance process and, as such, are reviewed and approved by City Council through public hearings. Based on the results of the consulting firm hired to analyze water and wastewater user fees and impact fees, modifications to the utilities rate structure and changes to impact fees were approved after public hearing and were implemented in FY 2016 and provided for scheduled increases in FY 2017 and*

*FY 2018 that may be evaluated each year. For FY 2018, the scheduled rate increase is delayed until further need is determined. Recycling fees for Sanitation are increasing due to contract changes. Marina slip fees were updated July FY 2016. User fees in the City's enterprise funds are established to pay for ongoing operations and adjusted accordingly.*

**Policy:** All revenues, which are reasonably expected to be unexpended and unencumbered at the end of the fiscal year, will be anticipated as “projected carryover ending” and budgeted accordingly for the following fiscal year.

**Status:** *Projected carryover balances are budgeted within the City's fund groups. Staff completes a review of purchase orders, accounts receivable and final personnel/operating expenses prior to reaching a fund balance projection.*

#### Expenditure Policies:

The expenditures of municipalities define an ongoing public service commitment. Prudent expenditure planning and accountability will ensure fiscal stability.

#### Debt Management:

**Policy:** A significant portion of a City's capacity to influence and/or encourage economic development can be measured by the adequacy of its infrastructure and its capacity to support growth.

**Status:** *The City maintains a five year capital improvements program that prioritizes investment in its infrastructure necessary to support growth and economic development. The City's water plant has sufficient capacity to support projected growth in the 10 year plan, however the City is in the process of evaluating the percentage of growth and when expansion of the wastewater treatment plant will be necessary. Funds for this purpose are identified in the 5 year CIP plan. Road network and parks facilities sufficiently accommodate demand. A 5 year CIP plan is being developed to address all ADA requirements for City facilities. Funding is provided in the 5 year CIP plan.*

**Policy:** The City will seek to maintain high bond ratings to minimize borrowing costs and preserve access to credit.

**Status:** *As part of the 2016 Long Range Financial Plan, the City undertook a review of its economic condition and outlook, financial position and performance, debt profile and management in relation to credit rating agency criteria. The City utilizes a five year proforma to quantify the effects of current decisions on future financial condition.*

**Policy:** Whenever possible the City will use revenue bonds instead of general obligation bonds.

**Status:** *The City does not have any outstanding general obligation bonds, nor does it have any plans to undertake such a process. All debt outstanding is in the form of revenue or tax increment financing to be retired with the use of utility user fees and community redevelopment area tax proceeds.*

Policy: The term of any bonds, notes or leases shall not exceed the useful life of the asset being financed.

Status: *All debt outstanding does not extend beyond the useful life of the asset.*

Policy: The City shall not issue notes or bonds for non-capital items.

Status: *The City does not issue notes or bonds for its operations.*

Policy: If cost effective, the City will purchase private bond insurance at the time of issuance.

Status: *When the City is in the midst of bond issuance, a price to benefit calculation will be made to see if bond insurance is cost effective to produce a higher rating and reduced interest rate.*

Policy: The City will analyze its existing debt to take advantage of changing market conditions and to minimize future costs.

Status: *The City monitors market conditions and undertakes refinancing/refunding opportunities where feasible. CRA loans for Laishley Park and Herald Court Centre were refinanced with a lower interest rate in FY 2013.*

Policy: The City will maintain an adequate debt service fund regarding each issue and budget for the annual payment of principal and interest.

Status: *The annual budget includes a debt service fund, schedule of debt outstanding and a five year projection of debt service payments. The fund includes sufficient monies to pay all principal and interest obligations as required by loan agreements.*

#### Reserve or Stabilization Accounts:

Policy: The City will use Governmental Accounting Standards Board (GASB) Statement #54 definitions for the five classifications of fund balance for governmental fund types. These are non-spendable, restricted, committed, assigned and unassigned.

Status: *Under the GASB definition the City's General Fund balance is categorized as: non-spendable- including prepaid expenses and inventories; restricted- including outside parties, grants and bond agreements; committed- including requirements established by city ordinance prior to end of fiscal year (there are none currently); assigned- intended use established by council, including appropriated reserves used to balance the subsequent year's budget, purchase order rollovers and reappropriations for incomplete projects from prior fiscal year; and unassigned- which is all other general fund balance. The latter three comprise the GFOA defined unrestricted fund balance, and is the amount which is to be used to verify the calculation of the 16.7% of operating expenditures. Operating expenditures include personnel, operations, contingency and capital outlay.*

Policy: The City will strive to follow the Government Finance Officers Association (GFOA) recommendation for a minimum level of unrestricted fund balance for the following major operation funds: General Fund, Utilities OM&R Fund, Sanitation Fund, Building

Fund, and Marina Fund. The GFOA states the unrestricted fund balance for the General Fund should be a minimum of 2 months of operating expenditures.

*Status:* Based on GFOA recommended best practice, the City's unrestricted fund balance in the General Fund should be 16.7% of operating expenditures. The September 30, 2018 unrestricted fund balance is projected to be \$3.0 million. This is 14% of budgeted general fund operating expenditures. It is the City Council's intention to continue increasing the minimum reserve as the improving economy allows.

*Policy:* An adequate level of unrestricted fund balance will be maintained as working capital to support operations until sufficient current revenues (taxes) are received.

*Status:* The City has not needed to issue tax or revenue anticipation notes to support operations until sufficient current revenue is generated. Sufficient cash balances are maintained to support operations throughout the year.

*Policy:* 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.

*Status:*

|                                           | FY 2018<br>Budgeted<br>Expenditures | 9/30/18<br>Budgeted<br>Unrestricted<br>Fund Balance | % of<br>Unrestricted<br>Fund Balance<br>to<br>Expenditures |
|-------------------------------------------|-------------------------------------|-----------------------------------------------------|------------------------------------------------------------|
| General Fund                              | \$20,989,827                        | \$3,007,563                                         | 14%                                                        |
| PGI Canal Maint Fund                      | 2,726,475                           | 1,065,357                                           | 39%                                                        |
| BSI Canal Maint Fund                      | 475,342                             | 291,499                                             | 61%                                                        |
| Park Impact Fees Fund                     | 80,000                              | 93,439                                              | 117%                                                       |
| Transportation Impact Fees Fund           | 48,000                              | 56,508                                              | 118%                                                       |
| CRA Fund                                  | 1,713,050                           | 1,185,628                                           | 69%                                                        |
| Additional Five Cent Gas Tax Fund         | 740,000                             | 35,791                                              | 5%                                                         |
| Six Cent Gas Tax Fund                     | 836,035                             | 356,905                                             | 43%                                                        |
| Charlotte Harbor National Estuary<br>Prog | 914,685                             | 94,563                                              | 10%                                                        |
| Utilities OM&R Fund                       | 21,319,683                          | 3,580,791                                           | 17%                                                        |
| Water System Capacity Escrow<br>Fund      | 858,000                             | 1,196,867                                           | 139%                                                       |
| Sewer System Capacity Escrow<br>Fund      | 910,573                             | 684,386                                             | 75%                                                        |
| Sanitation Fund                           | 3,887,752                           | 865,105                                             | 22%                                                        |
| Building Code Fund                        | 904,581                             | 1,199,393                                           | 132%                                                       |
| Laishley Park Marina Fund                 | 439,130                             | 312,514                                             | 71%                                                        |

Generally, the unrestricted fund balance is limited to use within its own fund and/or for specific types of expenditures. The collective reserve level is sufficient to cover for any temporary revenue shortfalls or unexpected expenses. Of the \$3.0 million General Fund unrestricted fund balance, \$0.7 million is assigned to reducing the FY 2018 projected shortfall.

- Policy: 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.
- Status: *As noted previously, the collective reserve level is adequate to support the City's sound financial condition.*
- Policy: For the General Fund, and all other operating funds, except the Utilities Fund, the City requires an unassigned fund balance minimum of 7.5% of total fund budgeted appropriations. Council intends to reach a 16.7% unassigned fund balance minimum. Each year, as the economy improvement allows, the City will increase the minimum by 0.5%.
- Status: *For the fiscal year ended September 30, 2017, the General Fund's unassigned balance is projected to be \$3,009,563. Projected for the fiscal year ended September 30, 2018, the City's operating funds, except the Utilities Funds, meets the established unassigned fund balance minimum. The General Fund unassigned balance is \$2,335,868, 11.1% of total general fund expenditures.*
- Policy: For the Utilities Fund, the City will maintain an unassigned fund balance minimum of at least \$3.1 million.
- Status: *For the fiscal year ended September 30, 2017, the City's Utilities O, M & R Fund unassigned balance is projected to be \$7,963,749.*
- Policy: For the Utilities Fund, for protection of infrastructure, a renewal and replacement reserve of \$1,500,000 will continue for unforeseen major line breaks and equipment failures.
- Status: *This reserve has been maintained.*
- Policy: The Utilities Fund, for protection of infrastructure, will cash fund a minimum of \$1,120,000 annually for recurring line and lift station renewal and replacements as identified in the five year capital improvement plan.
- Status: *The Utilities Fund has budgeted to cash fund \$1,120,000 the recurring line and lift station renewal and replacements for FY 2018 and will continue to in the future.*
- Policy: The City will provide a Capital Outlay Reserve (COR) for each of the major funds 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 for the General Fund and other funds as practical.
- Status: *The City Council has established a COR for the General Fund, Utilities Fund, and Sanitation Fund.*
- Policy: The Canal Maintenance Districts will fund replacement of seawalls to allow for adequate linear footage replacement based on existing analysis.

*Status: Burnt Store Isles Canal Maintenance District has established a Seawall Replacement Reserve. The funding is set at \$45,000 annually and will be reevaluated as costs per linear foot increase. Use of reserve includes study of alternative seawall panel technologies and installation methods and lock removal and widening of canal. Punta Gorda Isles Canal Maintenance District has established a Seawall Replacement Reserve for study of alternative seawall panel technologies and installation methods and dredging channel to spoil site. Seawall expenditures estimate 3% increase in the 5 year proforma.*

**Policy:** The City will not permit a deteriorating financial condition as described by the Florida Auditor General and Florida Statutes section 218.503 that would result in an audit management letter finding.

*Status: Florida Statutes identify a number of items that can trigger the State described indicator of deteriorating financial conditions. The City is in compliance with all of those indicators thereby avoiding a finding of deteriorating financial condition.*

**Policy:** The City will monitor financial indicator trends. We will follow the Florida Auditor General Financial Condition Assessment Procedures.

*Status: The City monitors financial indicators, as recommended by the Auditor General, as part of its annual budget process. These trends are discussed as well with the City's external auditor each year during the audit process.*

**Policy:** Annually the City will appropriate a contingency line item in funds where deemed necessary to provide for unanticipated expenditures of a nonrecurring nature or to meet small increases in service delivery costs.

*Status: Two of the City's larger funds, General and Utilities, have contingency accounts set aside for unanticipated emergencies or small increases in service delivery. The City does not foresee a need to supplement fund balances with a budgeted contingency in its smaller funds.*

**Policy:** All projected beginning and ending fund balances will be presented in the annual budget.

*Status: The annual budget includes all fund balance projections within each fund.*

#### Operating/Capital Expenditure Accountability:

**Policy:** Governmental Funds are accounted for in accordance with Generally Accepted Accounting Principles (GAAP). Expenditures are recorded when the services or goods are received and the liabilities incurred. All proprietary funds use the accrual basis of accounting and expenses are recognized when they are incurred.

*Status: Governmental Funds are defined as the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. Proprietary Funds are enterprise funds and internal service funds. The City follows GAAP in its accounting function.*

Policy: The City Manager will present a balanced budget. Essential services will receive first priority for funding. The City will identify low priority services for reduction or elimination, if necessary, before essential services.

Status: *In compliance with State law, the City Manager presents and the City adopts a balanced budget each year. Budget alternatives which identify service level cost reduction options as well as costs associated with any service level enhancements are presented to City Council in April of each year and updated, as requested, during the period May through September as part of the annual budget process.*

Policy: The budget will provide for adequate maintenance and repair of capital plant and equipment and for their orderly replacement.

Status: *The City provides adequate funding for repair and maintenance of its capital assets as well as implements a structured program for replacement.*

Policy: The budget will consider the cost effect on the operating budget from additional capital items and program.

Status: *An integral part of the five year capital improvements program is the impact on operating budget calculations for each project included in the program. In this manner, the City fully understands future operating budget implications prior to initiation of planned capital improvements.*

Policy: The budget will provide sufficient funding to cover annual debt retirement.

Status: *Debt service coverage is a requirement of our lenders, and the City provides sufficient coverage as required by loan agreements.*

Policy: The City will analyze and prepare monthly reports that compare the budget with actual expenditures for major funds. The reports will monitor progress toward the budgeted appropriations. Significant changes may be uncovered in advance, permitting action to avoid a crisis.

Status: *Monthly financial reports are prepared as required by the City's Code of Ordinances. These reports are provided to elected officials and available for viewing by the community at large.*

Policy: Enterprise fund operations shall be self-supporting and shall pay administrative charges to the General Fund for administrative support.

Status: *Enterprise funds are Proprietary Funds as defined and, as such, are self-supported by user fee charges. Each enterprise fund pays an administrative charge to the General Fund for support provided based on an annual review of such administrative expenses. In the FY 2018 budget, the following administrative charges are included within the enterprise funds: Utilities \$2,329,640, Sanitation \$373,287, Building \$89,495, Laishley Marina \$33,837.*



**Policy:** The City will prepare a five year Capital Improvement Program (CIP) as part of the annual budget process. Coordination of the CIP budget with the operating budget will ensure that all funding considerations are made. The CIP details major infrastructure type improvements and construction projects. Capital items of an operating nature such as automobiles or personal computers are budgeted in each operating department budget.

**Status:** *The City prepares a five year CIP on an annual basis. Project detail includes a description of planned improvements, estimated cost, financing sources, project status, impact on operating budget and project area map, if applicable.*

**Policy:** The City will adopt the first year of a multi-year plan for capital improvements, update it annually and make every attempt to complete all capital improvements in accordance with the plan.

**Status:** *The City adheres to the policy with the understanding that planned capital projects may be delayed due to delays in permitting, environmental conditions, bidding and/or re-prioritization by elected officials.*

## Section 3: Budget Issues

### General Fund

One of the City’s financial management policies continues to recommend recurring revenues be aligned with recurring expenditures. In addition the fiscal forecast is predicated on retention of the current millage rate. In order to address the above policy and/or millage rate assumption, the following scenarios for FY 2019 can be considered:

Alignment of current revenues with current expenditures:

- ✓ Fiscal forecast, no use of any available reserves thereby aligning current revenues with current expenditures, and no funding for enhanced stormwater/drainage services result in millage rate increase of 0.059 mills.
- ✓ Fiscal forecast, use of \$172,000 available reserves, and no funding for enhanced stormwater/drainage services enables retention of current millage rate at 3.1969 mills.
- ✓ Funding enhanced stormwater/drainage services at \$250,000 level results in millage rate increase of 0.085 mills.
- ✓ Funding enhanced stormwater/drainage services at \$500,000 level results in millage rate increase of 0.170 mills.

Establishment of millage rate using only growth-related revenues (\$153,000 based on \$50 million in tax base growth net of early payment discount) results in a relative millage rate decrease of 0.1278 mills. In order to achieve a balanced budget (current revenues equalling current expenditures) based on this assumption with total shortfall of \$1,048,700, the following expenditure reductions can be considered:

| Areas of Consideration                                                                                                         | Range                                                            |
|--------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| Reduction of drainage program                                                                                                  | \$0 - \$500,000                                                  |
| Reduction of street resurfacing program                                                                                        | \$0 - \$459,000                                                  |
| Reduction of contract with Aqua Consulting & Marketing                                                                         | Contract<br>\$0 - \$81,000 Marketing/Operating<br>\$0 - \$50,000 |
| Reinstate 1% sales tax funding PD \$100,000 annually FY 2020-22                                                                | \$75,000                                                         |
| Use grant funding for FY 2017 PD boat and delay ROW dump truck                                                                 | \$50,000                                                         |
| Fund major equipment from 1% sales tax for fire ladder truck, road grader, front end loader totalling \$1,150,000 over 4 years | \$287,000                                                        |
| Freeze on merit-based employee salary increase (excludes Fire education increases per union contract)                          | \$0 - \$213,000                                                  |
| Defer implementation of pay and classification study                                                                           | amount not included in current LRF                               |
| Eliminate estimated operating increase in line items and hold flat                                                             | \$0 - \$103,000                                                  |
| Defer Urban Design comprehensive plan studies                                                                                  | FY 2019 amount \$25,000                                          |
| Eliminate various programs and related staffing to be determined at a later date                                               | TBD                                                              |

## **Punta Gorda Isles Canal Maintenance Fund**

Damaged seawalls from Hurricane Irma are estimated to cost in the range of \$30 million to \$40 million for repairs. The Canal District's match to the federal and state funding is estimated to be \$4 million to \$5 million. Assuming a 10 year finance/repayment plan, the increase to the annual assessment would range from \$75 to \$100 annually. Staff will review the proforma for opportunities to decrease annual operating costs by deferring regularly scheduled maintenance.

## **Burnt Store Isles Canal Maintenance Fund**

Damaged seawalls from Hurricane Irma are estimated to cost in the range of \$1.1 million to \$1.5 million for repairs. The Canal District's match to the federal and state funding is estimated to be \$140 thousand to \$200 thousand. Assuming a 5 year finance/repayment plan, the increase to the annual assessment would range from \$26 to \$40 annually. Staff will review the proforma for opportunities to decrease annual operating costs by deferring regularly scheduled maintenance as well as evaluating the final costs and necessary financing of the FY 2017 dredging project.

## **Special Use Reserve Fund**

The Special Use Reserve Fund has a projected FY 2018 ending fund balance of approximately \$3.9 million. This balance is currently comprised of proceeds (\$3.5 million) from the sale of land to Fishermen's Village and reserve (\$0.4 million) for FEMA closeout and audit period from prior Hurricane Charley. One of the City's strategic objectives is to consider how to allocate fund priorities. Previous recommendation to retain the proceeds from Fishermen's Village sale until such time as legal challenge to sale is resolved is still in place.

Opportunities include:

- ✓ Continue to retain the proceeds from Fishermen's Village sale until such time as legal challenge to sale is resolved.
- ✓ Leave fund as is and appropriate on case by case basis as needed.
- ✓ Transfer \$1,000,000 to General Fund reserves in order to achieve GFOA national standard of two months operating reserve.
- ✓ Set aside \$750,000-\$1,000,000 for Ponce Park rebuild. This is a planning number and will be adjusted based on design approval and bid results.
- ✓ Reserve FEMA receipts from Hurricane Irma (excluding seawall repairs and debris removal which will go to the assessment and enterprise funds) for future hurricane needs.

## **Utilities Fund**

Reverse Osmosis Plant Construction – Awaiting bids for final construction to determine construction costs. Current fiscal plan assumes total project cost of \$40 million with 50% grant funding for amounts over the original \$32.2 million estimated. Other sources of funding such as additional financing may be needed if grant funding is not received.

Septic to Sewer – Master plan is currently under study by consultant and City staff. The completed study will be presented to the Utilities Advisory Board and along with their comments, will be presented to the City Council during this year's budget process.

## **Sanitation Fund**

Rates are not adequate to fund the future needs of replacement of equipment. During the buget process this will be reviewed and options presented.

Packer replacements – cost effectiveness of 10 year replacement schedule is under review and a recommendation for continuing or revising the replacement schedule will be provided to City Council during the budget process.

## **Building Fund**

Current proforma anticipates need for additional inspector in FY 2019. Building official is recommending that it occur in FY 2018 and an analysis and recommendation will be brought to City Council. Current fees are adequate for funding this position. Updates to proforma will be made during budget process.

## **City-wide**

Due to the retirements of long-term employees over the next five years, succession planning is a priority of the City. Retention and training of current staff to fill key positions, as well as the ability to attract qualified candidates in a more competitive market is an important aspect of current succession planning.

Council approved funding for a pay and classification study in the FY 2018 budget. The study has just begun and is expected to be completed in three to four months. Results from the study and possible implementation plans will be brought to Council for discussion.