



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

To: City Council Members
From: Howard Kunik, City Manager
Date: August 15, 2018
Subject: FY 2019 Proposed Budget

MISSION STATEMENT

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

Members of City Council,

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

- The Charlotte County Property Appraiser reported that taxable property values increased Citywide by 7.5%, which is the sixth straight year of increasing property values, reversing a previous trend of six straight decreases in overall value.
- The Community Redevelopment Area (CRA) experienced a 5.2% increase from previous year property values, the fourth straight year of value increases.
- Increased value from new construction, annexations and other adjustments in the City is \$60.1 million, up from \$50.6 million the previous year.
- The proposed FY 2019 General Fund Budget, net of ending reserve, totals \$21.6 million, which is \$0.6 million or 2.7% more than the original FY 2018 budget. The cumulative increase in the general fund since FY 2008 is 5.1%.
- Incorporated in the overall budget is a proposed 3% merit increase for employees and implementation of a recently completed compensation and pay plan study. The City is still in contract negotiations with its public safety (police and fire) bargaining units and, as such, final compensation for these employees will be determined as part of the bargaining process.
- The State released its final state-shared revenue estimates in July, based on 100% of projected collections. Due to past experience in which the State revises projections at various times during a fiscal year, the budget reflects approximately 94% of State estimates to cushion any further swings in the economy.

- To assist you in measuring our performance, City Council approves an annual Strategic Plan. Action items to be undertaken during FY 2019 as part of the five strategic priority areas identified in the Plan are incorporated into the annual budget and the City’s five-year capital improvements program.
- The Long Range Financial Plan has been updated for the City’s major fund groups. The Plan highlights revenue and expenditure trends over a five-year timeframe and recommends strategies to minimize projected budgetary gaps, tax and/or fee increases. Information gleaned from the Plan was used to formulate guidelines for FY 2019 budget preparation.
- Also included in the Long Range Plan was an assessment of the City’s financial management policies and recommended revisions that would lead toward future compliance with nationally recognized standards. Council recognized the desire to implement these changes during FY 2018, and they are carried forward into the FY 2019 budget development.
- The change in Consumer Price Index (CPI) as reflected in the State “Save Our Homes” Legislation is 2.1%. This means that no matter how high the market value of a homestead property increases, the assessed value can only rise 2.1%.

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

STRATEGIC PLAN

The Strategic Plan (herein referred to as the “Plan”) is used to set the overall goals for the City, provide direction to City departments, and create the basis for each year’s annual budget and five-year capital improvements program. The plan provides a tool for more effective and economical operations and demonstrates to the public that careful consideration has been given to future development and direction of the organization. The Plan provides a realistic view of the expectations for the organization and community at-large. This diagram shows how the pieces of the Plan fit together.



On April 27, 2005, City Council approved moving forward with development of its first strategic plan and solicited input from residents, boards and committees, civic groups and staff on priorities to be addressed. Since 2005, the City has now completed twelve strategic plans. Action items accomplished as part of the 2018 Plan are highlighted within each respective strategic priority area.

Financial/Economic Sustainability

- Updated the long range financial plan for the major fund groups and continued to assess the City’s financial management policies with nationally recognized standards. Revised such policies, primarily reserves, to gradually address national standards.
- Conducted budget community conversation to garner input into development of FY 2019 budget proposal.

- Secured line-of-credit to finance seawall repairs due to Hurricane Irma, until such time as reimbursement from FEMA and State is realized. Took proactive approach toward funding City portion of repairs through setting increased tentative assessments for both Punta Gorda Isles and Burnt Store Isles canal districts.
- Conducted several public discussions regarding establishment of revised regulations that allow for increased building height in City Center zoning district in conjunction with pedestrian, architectural and setback amenities. Concepts will be reviewed by urban planning firm hired to develop new Citywide Master Plan.
- Initiated development of Interchange Commercial Area Zoning District for the Jones Loop Road area.
- Completed annexation of former Wilder properties within LOOP, which will provide additional growth opportunity for the 170+ acres.
- Completed construction of agripreneur garden/fresh market, which will be turned over to local neighborhood group to operate as a business venture.

Infrastructure Sustainability

- Completed annual street resurfacing program. Brick installation on Goldstein forthcoming.
- Approved construction contracts for Groundwater Reverse Osmosis (RO) Water Treatment Plant and final two water production wells. Received approval from State Revolving Loan Program for low interest financing for project construction.
- Approved assessment methodology for Additional Harbor Access (PGI Bird Section Cut Through). Received economist's report that showed increase in property values due to benefit of project. Received land purchase contract with property owner of preferred route, to be considered by City Council.
- Completed construction of Burnt Store Isles rim canal dredging project.
- Provided periodic status reports on six-year 1% Local Option Sales Tax capital projects plan. Projects completed include Gilchrist Park area one renovations, new playground, and Mary Street connection to Harborwalk. Projects under design include stormwater drainage improvements in Boca Grande area, Gilchrist Park restrooms and Ponce Park. Projects under construction include Madrid sidewalk at US 41, Laishley Park additional parking and restrooms by Gilchrist Park playground and courts.
- Completed design of Jones Loop Road sewer forcemain, secured easement for lift station and received bids for construction which are under review.
- Developed and presented FY 2019-2023 Capital Improvements and Capital Outlay Plans for major infrastructure categories.
- Secured new contractor to complete year one and start year two of enhanced stormwater drainage program.
- Received and approved consultant's report on plan for transition from septic to sewer in City utility service area. Next phase is to develop financial plan for implementation.

Partnerships, Communication & Collaboration

- Completed eighth Citizen's Academy, reaching out to over 20 attendees who learned about the City organization: administration, finance, public safety, public works, utilities and urban design.
- Partnered with TEAM Punta Gorda and Habitat for Humanity for fifth Paint Your Heart Out initiative as well as other Habitat home building initiatives.
- Approved partnership with TEAM Punta Gorda to hold community development summit prior to Master Plan Charrette process being undertaken during FY 2019.

- Revised Action Register which provides status updates on action items coming from strategic plan and Council initiatives, and place register on Council agenda for quarterly presentation.
- Held and/or participated in numerous neighborhood meetings to garner input and engage the community to address such issues as appropriate growth, Bethel-St Mark infrastructure improvements, budget development, land development regulations and public safety services.
- Continued customer satisfaction surveys regarding doing business with the city, police quality assurance reviews, and information technology.
- Continued emphasis on financial transparency by placing annual budget, budget alternatives, long range financial plan, comprehensive annual financial report, community redevelopment agency annual report, city financial monthly reports, accounts payables, employee salary plan, strategic plan progress reports, paving program and special projects on City's website for public viewing.
- Provided letters of support for numerous initiatives to include Charlotte County legislative priorities; Florida League of Cities call for action on proposed legislative matters, Safe Cities Safe Florida Initiative; Charlotte County Piper Road economic incentive grant; HIPPY (Home Instruction for Parents of Preschool Youngsters) Program; Regional Planning Council disaster recovery grant, and Peace River Regional Water Authority.
- Completed partnership with FPL in its Solar Now program, which constructed solar canopies in Laishley Park, Hector House Plaza, Bailey Brothers Park and City Hall parking area.
- Continued to garner input from Land Development Committee regarding numerous code amendments that impact City neighborhoods.
- Approved implementation of quarterly Council workshops on selected topics that will occur in the evening hours in an effort to attract an additional customer base. The first such workshop to occur in FY 2019.

Strategic Communications Positioning

- Participated in public/private initiatives to market Founders Week and Downtown Tree Lighting.
- Continued partnership with Fishermen's Village through distribution of Punta Gorda brochures when Village promotes the area throughout the state.
- Adopted Strategic Communications Plan and conducted meetings between marketing and communications consultant Aqua and strategic partners to highlight plan components and next steps.
- Adopted new logo and tagline and introduced such throughout City operations, marketing material, correspondence, presentations, fleet, etc.
- Conducted community meeting to garner input on future vision for appropriate growth.
- Began development of micro-website that will highlight Punta Gorda amenities to residents, businesses and visitors.
- Approved design and location options for installation of Historic District sign toppers to coincide with unification of district neighborhoods and branding initiative. Development of costs to follow.

Quality of Life

- Completed bicycle corral parking at corner of West Marion and Sullivan.
- Installed street furniture in area of Marion and Taylor to further pedestrian amenities in downtown.
- Revised event manual and fee structure to provide equity between Laishley and Gilchrist parks.

- Received presentation by TEAM Punta Gorda on research and community input for future Gilchrist Park Activity Center. Next step is to secure services of urban planning firm to develop conceptual plans that integrate such center into park and neighborhood.

The FY 2019 Strategic Plan Action Items have three distinct elements that help transform the City’s vision into reality. They are:

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

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

Financial/Economic Sustainability

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

Infrastructure Sustainability

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

Partnerships, Communication & Collaboration

- Goal: Promote partnership opportunities with public, private and non-profit organizations.
- Goal: Emphasize transparency in City operations, reporting, and activities.
- Goal: Continue to seek community input in decision making process.
- Goal: Support and assist community efforts to address City priorities through recognition and catalytic initiatives.

Strategic Communications Positioning

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

Quality of Life

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

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

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

ECONOMIC OUTLOOK

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

National Economic Outlook

The April 2018 economic forecast from the Congressional Budget Office (CBO) includes the following key points:

- Outlays will remain near 21% of GDP for the next three years, which is higher than the average of 20% over the past 50 years. By 2028, outlays would rise to 23.3% of GDP.

- Debt held by the public will rise from 78% of GDP (\$16 trillion) by the end of 2018 to 96% of GDP (\$29 trillion) by 2027. That percentage would be the largest since 1946 and well above twice the average over the past five decades. Such high and rising debt will have serious consequences for the budget and nation:
 - ✓ Federal spending on interest payments on that debt would increase substantially, especially because interest rates are projected to rise over the next few years.
 - ✓ Lawmakers would have less flexibility to use tax and spending policies to respond to unexpected challenges.
 - ✓ There would be greater risk of a fiscal crisis in the nation since investors would become unwilling to finance the government's borrowing unless they were compensated with high interest rates, thereby pushing interest rates on federal debt even higher.
- Spurred by fiscal stimulus, GDP will expand at to 3.3% through 2018, 2.4% in 2019 and average 1.9% per year through 2028.
- The projected growth will create excess demand in the economy, pushing the unemployment rate below the natural. Unemployment rate is projected to be 3.8% by the end of 2018, and hover between 3.3% and 4.8% through 2028.
- By 2020, excess demand will push consumer price inflation slightly above the Federal Reserve's target of 2%. Inflation will rise at a modest pace over the next few years. This will rise to 1.8% in 2018 and to 2% in 2019. It will remain on average 2% through the 2028.
- As the slack in the economy continues to diminish, the Federal Reserve will continue to reduce its support of economic growth. The federal funds rate is expected to rise gradually over the next few years, reaching 1.1% by the end of 2017, 1.6% by the end of 2018 and 3.1% in the latter part of the projection period.

Florida/Southwest Florida Regional Economic Outlook

The Florida Economic Estimating Conference met on January 16, 2018, to revise the forecast for the state's economy. The latest forecast was slightly weaker in several key respects, but generally shows little change from the assumptions made in July for the short term. Overall, Florida growth rates are returning to levels that are more typical and continue to show progress. The drags—particularly construction—are more persistent than past events, but the strength in tourism is largely compensating for this. In the various forecasts, normalcy was largely achieved by the end of Fiscal Year 2016-17 as most measures of the Florida economy had returned to or surpassed their prior peaks by the close of the fiscal year.

One of the main factors used to measure the economic health of an individual state is personal income growth. Using the latest revised series, Florida's personal income growth in the third quarter of 2017 was 0.7 percent over the second quarter of 2017, ranking Florida 18th in the country among all states. The current rank is lower than the previous quarter's results, but higher than the first quarter of 2017 with a growth rate the same as the nation for the current quarter. The forecast expects personal income growth to accelerate to 4.3 percent in Fiscal Year 2017-18 and to 5.5 percent in Fiscal Year 2018-19, and then grow over the long term at annual growth rates ranging between 4.2 percent and 5.4 percent.

Two key measures of employment are job growth and the unemployment rate. The job market in Florida continues to grow at modest rates, with a 2.1 percent growth rate for nonfarm employment for the third quarter of 2017 compared to the same period last year. The forecast expects total non-farm employment to grow 2.5 percent in Fiscal Year 2017-18, with more modest rates of growth throughout the long run.

Florida's unemployment rate continues to drift downward and is now below the "full employment" unemployment rate (assumed to be about 4 percent). The state's actual unemployment rate in December was lower than the nation at 3.7 percent, compared to 4.1 percent in the U.S. The rate was as low as 3.1 percent from March through April 2006 (the lowest unemployment rate in more than thirty years), and most recently peaked at 11.2 percent from November 2009 through January 2010. The forecast expects the downward trend to continue towards a long-term rate of unemployment of around 4.5 to 4.6 percent.

Overall, the housing market continues to trudge forward, although slowing from the stronger growth over the past few years. For the third quarter of 2017, single-family building permits were 8.2 percent higher than the same period last year, while multi-family building permits were 7.9 percent higher. Combined, total private housing starts are expected to increase 10.8 percent in Fiscal Year 2017-18 before easing to a rate of 8.6 percent in Fiscal Year 2018-19 and to much more modest growth rates in the rest of the forecast. Total private housing starts are still well below the peak Fiscal Year 2004-05 level of 272,000 units; they do not recover to their previous peak level at any time during the ten-year forecast period. Total construction expenditures (including nonresidential and public, as well as residential) continue to grow throughout the entire forecast period, with 11.8 percent growth in Fiscal Year 2017-18 and 8.0 percent in Fiscal Year 2018-19 before gradually settling in the 4.3 to 4.7 percent range towards the end of the period. Helped by the nonresidential component, total construction expenditures return to peak levels by Fiscal Year 2019-20, although the private residential component does not return to peak levels until Fiscal Year 2021-22. In a related measure, the construction employment sector does not get back to its peak level at any time during the ten-year forecast period.

Florida tourism is a major component of the state's economy and continues to show its strength. Preliminary estimates indicate that 29.2 million visitors came to Florida during the third quarter of 2017 for an increase of 3.5 percent over the same period in 2016. The forecast for Fiscal Year 2017-18 expects this trend to continue with a projected overall growth rate of 4.7 percent, in spite of a reduction in the number of overseas visitors compared to the prior year. After an acceleration to 5.1 percent in Fiscal Year 2018-19, the expected growth in total visitors stabilizes at growth rates ranging between 3.3 percent 3.6 percent annually over the rest of the long run forecast.

Southwest Florida's regional economy continues to show signs of growth. Positive signs include a six percent increase in single-family home sales from May 2017 to May 2018; a 43% increase in single-family building permits from May 2017 to May 2018; and a 3% increase in tourist tax revenues for April 2018 over April 2017. In May 2018, single-family home sales median home prices showed increases over May 2017 in all three coastal counties. Taxable sales for the five-county region exceeded \$2.3 billion in March 2018, up 7% from March 2017. The seasonally-adjusted unemployment rate declined to 3.4% in May 2018, down from 4.1% a year ago and lower than the 3.8% figure for the state and nation.

By the end of March 2018, Southwest Florida's industry workforce diversification index ranked ninth in the state (out of twenty four), while the state had an index that ranked the twenty first in the nation. The index measures the degree to which a region's workforce is concentrated in few industries or dispersed into many.

Charlotte County Economic Highlights

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

- Charlotte County continues to notice solid growth in population, from 172,720 one year ago to an estimate of 175,311 representing a 1.5% increase. The County ranks second in the state for its population age 65 and older, according to 2017 population estimates from the University of Florida, Bureau of Economic Business Research. By 2030, it's expected the County's population aged 55 and older will be 57%.
- For the sixth consecutive year, the taxable property value in the County has increased, up 8.2% from the previous year. Of that amount, new construction accounted for 1.9%.
- Unemployment was 3.8% in May 2018, mirroring the state's rate of 3.8%. One year ago, the unemployment rate in the County was 4.6%.
- The median sales price of an existing single family home in the County was \$225,000 in May 2018, an increase of \$8,487 from the previous year.
- The County's taxable sales rose to \$258.2 million in March 2018, up 5% from one year ago.
- The Punta Gorda Airport and Enterprise Charlotte Airport Park (ECAP) continue to represent major economic drivers in the area. Allegiant's service area from Punta Gorda flies to 40 nonstop destinations. The airport is home to a fleet of A320 planes, 400 general aviation aircraft and helicopters, 18 non-airline aviation entities and nearly 500 on-airport full-time employees. Passenger activity at the airport since calendar year 2010 has risen in significant numbers, as shown below:

Year	Passenger Count	Year	Passenger Count	Year	Passenger Count
2010	182,423	2013	333,611	2016	1,118,303
2011	291,626	2014	628,075	2017	1,293,337
2012	219,357	2015	836,472		

Commissioned by the Airport Authority, an economic impact study conducted by Volaire Aviation Consulting indicates that the Punta Gorda Airport has an economic impact of \$208.3 million in Charlotte County and \$353.2 million regionally. The study points out that each new route creates over 50 new jobs and \$1.6 labor income in the County. The extension of Piper Road to US 17, (also within ECAP), is currently under construction and when completed could ultimately lead to 1,400 new jobs involving 100 acres of industrial-zoned property and 500,000 square feet of tax base from potential new industrial development. Two new businesses (pallet company and boat building) are anticipated in the near future which will add 44 jobs to the local economy.

- A partnership among the County, City, Airport Authority, Florida Southwestern State College and Western Michigan University (WMU) continues to progress. WMU received approval from the Florida Commission for Independent Education to have a physical presence in the State, clearing the way for its aviation program to start at the Punta Gorda Airport. In March 2017, the WMU Board of Trustees approved an economic development investment agreement with Charlotte County which paves the way for improvements at the Airport to enable the university to deliver aviation flight training at the facility. Capital improvements has been completed by the County to an airport hangar complex WMU is leasing for the program. The agreement also calls for WMU to continuously operate the program at the Airport for no less than five years. In addition, WMU plans to offer more than 20 fields of study in a variety of educational areas.

- Sunseeker Resort is an estimated \$770 million project in the Charlotte Harbor Community Redevelopment Area bordering the harbor on the north side of the US 41 South Bridge. Current plans call for over 800 condominium units, 277 hotel rooms, along with multiple bars, restaurants and shops lining a public one-mile riverwalk along the waterfront. Demolition is underway.
- Tuckers Grade – a planned mixed-use development at the I-75 and Tuckers Grade interchange to include 1,689 residential units, 400 hotel rooms, and 480,000 commercial retail space. The proposed project plans to attract nearby residents and the traveling public.
- Babcock Ranch, a planned new town situated on 18,000 acres bordering Charlotte County and Lee County, broke ground in June 2016. When completed the development will house 19,500 residential units with an anticipated 50,000 population; six million square feet of commercial space; 75 mega-watt solar facility; and 50 miles of trails. The development is also planning a partnership with Florida Gulf Coast University to house higher educational programs. To-date, 144 single-family permits have been submitted since August 2016, and development of town center is well underway.
- Murdock Village redevelopment continues to be a future major economic driver in County development opportunities. In November 2016, a Private Equity Group signed a contract with Charlotte County to purchase 452 acres for a mixed-use development consisting of over 2,400 single and multi-family residential units, commercial uses and a 150-room hotel. In addition, Project Hills, a developer of sports and entertainment venues, submitted plans for a phased construction water park, hotels and other amenities on 160 acres. These plans are still in the developmental stage.

Punta Gorda Economic Highlights

Projections show a FY 2019 population of 19,285 up from the 2010 Census of 16,641.

- Changes in property values continue to contribute major influence on financial planning and budget preparation. Taxable property values (FY 2019) increased Citywide by 7.5% from the final previous fiscal year, including \$60.1 million of new construction, annexation, and changes in exemption. This is the sixth straight year experiencing an increase in values after six straight years of declines in taxable value Citywide.
- New single-family housing unit building permit trends since FY 2005 are shown below. Activity from FY 2010 through July of FY 2018 demonstrates a positive trend in new residential construction from FY 2009.

Year	Units Permitted	Year	Units Permitted	Year	Units Permitted
FY 2005	467	FY 2010	37	FY 2015	125
FY 2006	241	FY 2011	30	FY 2016	113
FY 2007	190	FY 2012	56	FY 2017	124
FY 2008	98	FY 2013	88	FY 2018	120 (thru July)
FY 2009	12	FY 2014	100		

- New multi-family housing unit residential construction has also demonstrated a positive trend starting in FY 2012.

Year	Units Permitted	Year	Units Permitted
FY 2012	4	FY 2016	90
FY 2013	4	FY 2017	4
FY 2014	0	FY 2018	16
FY 2015	86		

- Marriott Springhill Suites – A 104-room hotel has been constructed at the northeast corner of Marketplace property (US 41 and Harborside). The hotel will assist the Charlotte County Event & Conference Center in enhancing attraction for larger conference and event venues.
- Former IMPAC Campus – City Council approved a rezoning of the four plus acres for a mixed-use planned development to include conversion of one building to a 25-room hotel, relocation of the Military Heritage Museum in another building, 3,500 square feet of office space, and auditorium for guests at Fishermen’s Village.
- LOOP development update - Goodkin Consulting (GC) was hired by the property owner to conduct a market analysis concerning development possibilities for Village Center, a proposed 171-acre mixed-use residential and commercial development. The site is at the intersection of Jones Loop Road and I-75 in Punta Gorda. The report’s findings, published in August 2015, are highlighted below:
 - ✓ Residential component – 290 residential units of which 128 are single family detached, 90 single family semi attached and 72 townhome attached.
 - ✓ Retail component – 540,000 square feet of which 300,000 is an outlet mall and 240,000 a village center.
 - ✓ Office component – 150,000 square feet consisting of 80,000 in village center with office over retail, and 70,000 of two or three single users.
 - ✓ Hotel component – dual branded with 200 rooms.

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

- Aqui Esta development – a 100+ acre parcel of undeveloped property along Aqui Esta that City Council approved for a multi-family residential development to include private docking facilities for 49 slips. An actual construction timeframe has not been formalized.
- The City’s business development strategy to enhance business and economic development was highlighted in the aforementioned Strategic Plan accomplishments and priorities.

THE PROPOSED BUDGET

Submitted herein is the proposed City of Punta Gorda Budget for FY 2019. The total FY 2019 budget including all transfers and carryover fund balance is \$100,319,785 which is \$634,082 (0.6%) greater than FY 2018. The major factors causing the net increase are related to an increase in personnel costs. A total of eight additional personnel were added during FY 2018 (building inspector, (4) full-time temporary employees for the seawall repair project scheduled through FY 2019, and (3) school resource officers). In addition, a GIS/Engineering technician position was approved for FY 2019. The current pay plan includes funds for 3% increases or to bring employees to the minimum of the grade, career progression, and some funds to help with internal equity/compression. Other personnel costs for health insurance increased 8% and workers compensation estimated a 10% increase. Other operating expenses were decreased mainly in PGI canal maintenance fund as funds were moved to the Hurricane Irma seawall repair project but these were offset by increases to debt service for the same project.

The chart on the next page compares previous adopted budgets with the proposed FY 2019 budget. The expenditures are net of transfers to other funds, internal service funds and ending reserves. The FY 2019 net amount of \$64,636,713 is an increase of \$1,119,972 or 1.8% more than FY 2018.

City of Punta Gorda
Comparison of Net Budgeted Expenditures
Budget FY 2013 through Proposed Budget FY 2019
(Net of transfers, internal service funds and ending carryover fund balance)

	Budget FY 2013	Budget FY 2014	Budget FY 2015	Budget FY 2016	Budget FY 2017	Budget FY 2018	Proposed Budget FY 2019
General Fund	\$16,077,813	\$16,329,012	\$16,835,086	\$16,980,672	\$17,716,943	\$18,765,827	\$19,829,664
Special Revenue Funds	7,355,001	7,492,359	8,576,401	9,530,804	10,164,555	10,990,332	22,599,137
General Construction Fund	676,491	637,596	518,000	390,296	685,747	2,164,683	1,680,000
Enterprise Funds	19,558,040	21,339,565	25,036,612	27,568,045	39,682,027	31,595,899	20,527,912
Total Funds	\$43,667,345	\$45,798,532	\$50,966,099	\$54,469,817	\$68,249,272	\$63,516,741	\$64,636,713
\$ Net Increase (Decrease)	(\$3,925,434)	\$2,131,187	\$5,167,567	\$3,503,718	\$13,779,455	(\$4,732,531)	\$1,119,972
% Net Increase (Decrease)	-8.25%	4.88%	11.28%	6.87%	25.30%	-6.93%	1.76%

The 287 funded full time equivalent (f.t.e.) position count for FY 2019 has increased by one from the amended count of FY 2018; one GIS/Engineering technician in utilities administration and 0.25 increase for additional hours of part-time employee at the wastewater treatment plant. During FY 2018 the following positions were added: one building inspector, (3) full-time temporary seawall inspectors, a full-time temporary communications liaison, and (3) school resource officers. The four temporary employees continue to be funded in FY 2019. One of the key performance measures identified in the business plan is the ratio of full time employees to population.

Fiscal Year	Population Estimates	Employees	Ratio Employees/ Per 100/Population
2019	19,285	288	1.5
2018	18,811	286	1.5
2017	18,588	274	1.5
2016	18,368	271	1.5
2015	17,632	267	1.5
2014	17,556	263	1.5
2013	17,349	265	1.5
2012	17,177	265	1.5
2011	16,907	265	1.6
2010 Census	16,641	270	1.6
2009	16,989	291	1.7
2008	17,651	308	1.7
2007	17,444	313	1.8

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 of how Punta Gorda compares with surrounding jurisdictions in delivering core services in January 2018. The charts below provide a benchmarking analysis of costs to deliver core level of services for eight Southwest Florida municipalities at that time. 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 in the two charts 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
Santiation	\$ 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	\$ -	\$ -	\$ -
TOTAL	\$ 586.76	\$ 594.66	\$ 655.83	\$ 774.65	\$ 921.51	\$ 1,070.19	\$ 1,198.26	\$ 1,553.65

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
Santiation (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	\$ -	\$ -	\$ -
TOTAL	\$ 767.16	\$ 1,058.86	\$ 1,135.36	\$ 1,397.43	\$ 1,416.35	\$ 1,581.24	\$ 2,339.66	\$ 2,851.15

BUDGET HIGHLIGHTS BY FUND

General Fund

The proposed FY 2019 General Fund Budget, net of ending reserve, totals \$21,556,198, which is \$566,371 or 2.7% more than the original FY 2018 budget. See detail on next page. Based on an improving economy, with modest anticipated increases of 6% in taxable property valuations and 2% to 3% increases in shared state revenues and other general fund revenues, the current five year fiscal forecast (July 2018) projects deficits in the range of \$.5 million to \$.2 million per year from FY 2020 through FY 2023.

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 2019 and FY 2020 and to initiate planning for future years' budgets. As a result of the continued budget reduction measures, previously projected shortfalls, which were as high as \$3.4 million, have been significantly reduced.

General Fund
Proforma Schedule of Revenues and Expenditures
Proposed FY 2019 through Proforma FY 2023

	Proposed FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023
Change in Taxable Value of Property	7.5%	6%	6%	6%	6%
Revenues:					
Ad Valorem Tax	\$9,527,820	\$10,099,490	\$10,705,460	\$11,347,787	\$12,028,654
Other Revenue	11,568,848	11,532,475	11,694,935	11,859,263	12,026,361
Use of Capital Outlay Reserve		433,000		109,000	
Use of Prior Year's Reserve	459,530	512,270			
Total Revenues	21,556,198	22,577,235	22,400,395	23,316,050	24,055,015
Expenditures:					
Personnel Expenditures	14,382,868	14,873,190	15,425,272	16,001,893	16,604,334
Operating Expenditures	4,567,996	4,765,010	4,852,833	4,964,062	5,109,976
Capital Outlay	863,800	1,173,000	740,000	849,000	740,000
Transfers for Tax Increment Financing	612,534	637,035	662,515	689,015	716,580
Transfers for Capital Projects	155,000	155,000	155,000	155,000	155,000
Transfers for Roads	459,000	459,000	459,000	459,000	459,000
Transfers for Drainage	500,000	500,000	500,000	500,000	500,000
Contingency	15,000	15,000	15,000	15,000	15,000
Total General Expenditures	21,556,198	22,577,235	22,809,620	23,632,970	24,299,890
Expenditures in Excess of Revenue	\$0	\$0	(\$409,225)	(\$316,920)	(\$244,875)
Minimum Reserve (8.0% to 10.0%)	\$1,725,000	\$1,883,000	\$2,053,000	\$2,235,000	\$2,430,000

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

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

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

City of Punta Gorda, FL
General Fund Expenditures Comparison
Original Budget FY 2013 through Proposed Budget FY 2019

	Original Budget FY 2013	Original Budget FY 2014	Original Budget FY 2015	Original Budget FY 2016	Original Budget FY 2017	Original Budget FY 2018	Proposed Budget FY 2019
General Fund Expenditures							
City Council	\$ 108,048	\$ 111,891	\$ 107,959	\$ 106,367	\$ 98,442	\$ 129,311	\$ 133,909
City Manager	221,771	214,690	237,488	257,720	251,182	474,808	479,866
Human Resources	304,588	316,284	297,940	355,492	304,543	346,560	342,314
City Clerk	486,703	429,018	456,770	457,948	530,987	514,803	533,709
Finance	807,040	853,170	813,123	832,091	880,793	927,959	942,750
Procurement	487,389	465,844	495,169	504,762	592,583	571,939	617,078
Legal Counsel	219,021	192,511	199,201	205,753	203,700	255,794	221,459
Public Works Administration	306,748	317,676	306,715	306,621	312,020	351,303	364,821
Engineering	473,577	471,978	426,781	458,618	435,082	469,099	492,181
Right of Way Maintenance	1,041,844	981,427	1,042,761	1,078,783	1,254,571	1,548,578	1,198,125
Parks & Grounds	1,141,312	1,336,443	1,442,580	1,417,403	1,499,740	1,465,069	1,565,591
Police	5,151,300	5,230,086	5,377,523	5,412,144	5,560,536	5,766,363	6,357,578 ³
Fire	3,190,396	3,268,585	3,328,578	3,252,140	3,460,350	3,661,532	3,848,530
Growth Mgmt	159,014	¹					
Urban Design	639,018	663,805 ¹	542,856	551,318	652,304	619,990	591,093
Zoning & Code Compliance	266,846	423,869 ¹	469,618	481,509	410,944	500,272	515,986
Facilities Maintenance	776,198	745,735	759,019	757,483	771,601	798,453	864,704
Non-Departmental	297,000	306,000	531,005	544,520	497,565	363,994	759,970
Subtotal Operations	<u>16,077,813</u>	<u>16,329,012</u>	<u>16,835,086</u>	<u>16,980,672</u>	<u>17,716,943</u>	<u>18,765,827</u>	<u>19,829,664</u>
Incr (Decr) from prior year	357,179	251,199	506,074	145,586	736,271	1,048,884	1,063,837
% incr (-) decr from prior year	2.27%	1.56%	3.10%	0.86%	4.34%	5.92%	5.67%
Tax Increment Financing Transfer	497,689	462,249	454,299	468,678	500,000	575,000	612,534
Capital Projects Transfer	85,000	126,000	85,000	95,000	10,000	690,000	155,000
Paving Transfer	355,000	355,000	609,000	459,000	459,000	459,000	459,000
Drainage Transfer					500,000	500,000	500,000
1% Local Sales Tax Transfer	1,637,800	1,485,000	201,000 ²				
Subtotal Ops and Transfers	<u>18,653,302</u>	<u>18,757,261</u>	<u>18,184,385</u>	<u>18,003,350</u>	<u>19,185,943</u>	<u>20,989,827</u>	<u>21,556,198</u>
Incr (Decr) from prior year	379,883	103,959	(572,876)	(181,035)	1,182,593	1,803,884	566,371
% incr (-) decr from prior year	2.08%	0.56%	-3.05%	-1.00%	6.57%	9.40%	2.70%
Future Years' Budget - Reserve		590,000	103,999	464,000	574,626	671,695	512,270
Fleet/Equip - Reserve			312,000	312,000	420,000		104,000
Proj. Carryover - Ending Reserve	933,000	1,042,170	1,192,000	1,423,922	1,498,937	2,441,868	2,875,591
Reserves as a % of Operations & Transfers	<u>5.00%</u>	<u>8.70%</u>	<u>8.84%</u>	<u>12.22%</u>	<u>13.00%</u>	<u>14.83%</u>	<u>16.20%</u>
Total General Fund Exp.	<u>\$ 19,586,302</u>	<u>\$ 20,389,431</u>	<u>\$ 19,792,384</u>	<u>\$ 20,203,272</u>	<u>\$ 21,679,506</u>	<u>\$ 24,103,390</u>	<u>\$ 25,048,059</u>

¹ Director position eliminated and staffing merged in FY 2014

² 1% Local Option Sales Tax is now accounted for in a special revenue fund for the new election period Jan 1, 2015 through Dec 31, 2020. The extension of the 1% Local Option Sales Tax was approved in the November 2014 election.

³ (3) School Resource Officers added July 2018

General Fund Department/Division Highlights

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

City Clerk

Budget includes \$35,000 for a possible primary election in the summer of 2019. There will be an election in November 2018, and the budget will be reappropriated from remaining FY 2018 election expenses.

City Manager

The City enhanced its strategic communications program by adding a communications manager to staff during FY 2018. The City also engaged the services of a marketing consultant, Aqua to assist in developing a marketing/branding communications strategy for positioning the City residents, visitors, and commercial and industrial businesses. The FY 2018 program focused on product development to include brand rollout and microsite aimed to market the City's amenities to residents, visitors and business. The FY 2019 program consists of marketing the product by focusing on exposing the City to as many appropriate potential business relocation audiences as possible as well as future residents and visitors.

Human Resources

During FY 2018, Cody and Associates completed a classification and pay study that was approved and resulted in the City's pay plan falling once again within the median range for other agencies and municipalities in Florida. The FY 2019 budget implements the Plan as follows:

- Employees currently below the new range scale will be brought to the minimum or receive up to a 3% merit, whichever is greater
- Employees within the new range scale are eligible for up to a 3% merit increase
- Employees who are not eligible under a career progression plan and have not received any pay adjustments outside of the merit plan, are eligible to receive an additional 3% increase
- Efforts will continue to address internal equity/compression in FY 2020-FY 2021

Urban Design and Zoning & Code Compliance

There are no major program changes to these divisions. No funding for comprehensive planning is budgeted in FY 2019 as the housing element did not need additional updates at this time.

Finance

During FY 2018, Finance was restructured slightly by eliminating the controller and financial analyst positions and creating (2) Finance Manager positions, one with a focus on accounting and the other with a focus on budget and grants. For FY 2019, the previous controller is budgeted to work as a 0.2 FTE on the FEMA projects related to Hurricane Irma. The FY 2019 budget also includes \$15,000 for actuary calculations related to the new reporting requirements for other post-employment benefits.

Procurement

Although no service level changes have been requested, the division continues to focus on improving service and efficiency in processing purchase requests, cross training of personnel, improving the effectiveness of contract management, and continued training on regulatory changes. Budget includes \$20,500 for replacement of a 2001 cargo van with a compact truck for the warehouse.

Public Works

Public Works engineering staff continues to develop the annual plan and oversees the outside contractor for the drainage program as well as the paving plan in the gas tax fund. Facilities has budgeted an additional \$40,000 in repairs and maintenance funds for the repoint brick work at City Hall and the City Hall Annex. Capital outlays of \$241,000 include the routine replacement of aging trucks and mowers: (1) vehicle for public works administration; (1) vehicle for engineering; (2) vehicles, a mower, and (10) traffic counters in right of way; and (2) vehicles in parks and grounds.

Public Safety

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

Police

Three school resource officers (SROs) were approved to be added beginning July 1, 2018 based on school board initiative to provide additional school resource officers to the schools in the City, thereby bringing total school resource officers to six. This allows the following staffing: (2) SROs at Charlotte High School, (2) SROs at Punta Gorda Middle School, (1) SRO at Sallie Jones Elementary School and (1) SRO at Baker Center. The new expenditures related to the additional three officers will be partially funded by the School Board up to \$260,000. Police will currently use three vehicles that were scheduled for auction, until funding can be determined for three new additions to the fleet.

The police department requested additional staffing for a dispatcher and (2) police officers for a community policing program. These positions are currently not funded in FY 2019. Finalization of the pay plan for all sworn personnel, excluding the police chief, is still pending the outcome of bargaining for the police officers. (See Unresolved Issues at the end of this message.)

The FY 2019 operating budget includes increases in communication services as the City transitions to smart phones, accreditation assessment (which occurs every three years), employee testing, and repair and maintenance for vehicles.

The FY 2019 capital outlay of \$234,800 includes training equipment, start-up equipment for the (3) new school resource officers, approximately five vehicles (\$100,000 funded from 1% Sales Tax), taser and radar equipment, and replacement of boat and motor (funded by grant).

**Florida Municipal Law Enforcement Agencies 15,000-20,000 Service Population
2017 Uniform Crime Reporting Data (Ranked by Index Crime Rate/100,000)**

Agency	Pop.	Total Crime Index	Crime Rate/ 100,000	% Cleared
Marco Island PD	17,036	133	780.7	23.3%
Punta Gorda PD	18,838	262	1,390.8	41.6%
Safety Harbor PD	17,343	268	1,545.3	36.9%
Groveland PD	15,205	249	1,637.6	18.9%
Lake Mary PD	16,538	308	1,862.4	15.3%
Tavares PD	16,317	314	1,924.4	18.2%
Maitland PD	17,401	424	2,436.6	15.8%
Pinecrest PD	18,467	491	2,658.8	8.8%
Longwood PD	15,156	472	3,114.3	19.7%
Lake Wales PD	15,365	505	3,286.7	47.9%
Vero Beach PD	16,086	536	3,332.1	25.7%
Auburndale PD	15,999	537	3,356.5	35.4%
Seminole PD	18,450	661	3,582.7	38.7%

Bartow PD	19,088	758	3,971.1	23.9%
Stuart PD	16,183	646	3,991.8	28.5%
New Port Richey PD	15,764	674	4,275.6	34.7%
Zephyrhills PD	15,571	802	5,150.6	45.0%
Cocoa PD	18,982	1,175	6,190.1	28.9%
Belle Glade PD	17,290	1,125	6,506.7	19.6%
Opa-Locka PD	17,745	1,269	7,151.3	10.6%

Upon reviewing the comprehensive 2017 UCR data for the City of Punta Gorda, highlights include:

- Punta Gorda’s overall crime rate increased 14.0%. The crime rates for the last five years still remain among the lowest in the last decade.
- When compared to municipal police departments throughout Florida with a service population between 15,000 and 20,000, Punta Gorda maintained second place behind Marco Island for lowest crime rate.
- Among the eleven municipal law enforcement agencies in the Southwest Florida region (regardless of size or population), the crime rate in Punta Gorda ranks fourth behind Marco Island, Sanibel and North Port. Punta Gorda ranked second in 2016 behind Marco Island.
- The clearance rate represents the percentage of index crimes cleared by the Police Department (closed pursuant to UCR guidelines) in a given year. This particular figure is of key importance to leadership as we assess our effectiveness in solving or reclassifying index crimes within the city. The statewide clearance percentage for 2017 was 23.4%. The Department’s 2017 clearance percentage of 41.6% remains above average compared to other similarly sized law enforcement agencies. Of the agencies in the 15,000-20,000 population range, the average clearance rate was 26.9%.

For the period January through June 2018, the City’s crime index increased 23%, directly attributable to the recent annexation of Walmart. Eliminating data from Walmart, the crime rate in the City decreased 3% from the previous year.

Fire

The fire department budget includes slight increases in operations for medical supplies, training and the volunteer program. Capital outlay of \$41,000 for personal protective equipment, suppression equipment, and medical equipment is budgeted.

A request for an EMS training chief is not currently funded in the FY 2019 budget. Finalization of the pay plan for all sworn personnel, excluding the fire chief, is still pending the outcome of bargaining. (See Unresolved Issues at the end of this message.)

The National Fire Protection Association standard (NFPA 1710) for service response time is five minutes or less, 90% of the time. The average emergency response time during FY 2017 was 4 minutes and 04 seconds.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Average response times	4:16	4:10	4:00	3:57	3:54	4:01	4:04
Emergency < 5 minutes	1149	1822	1869	1983	2266	2621	2123
% Emergency < 5 minutes	79.7%	72.2%	74.7%	77.1%	78.9%	79.3%	84.9%

Non-Departmental

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

The transfers to other funds category includes transfers to the general construction fund for: \$500,000 for the third year of the drainage improvement program, \$105,000 for the annual public works capital projects, \$50,000 for Bethel-St. Mark initiatives, \$459,000 for the paving program, and \$612,534 for the Community Redevelopment Agency transfer.

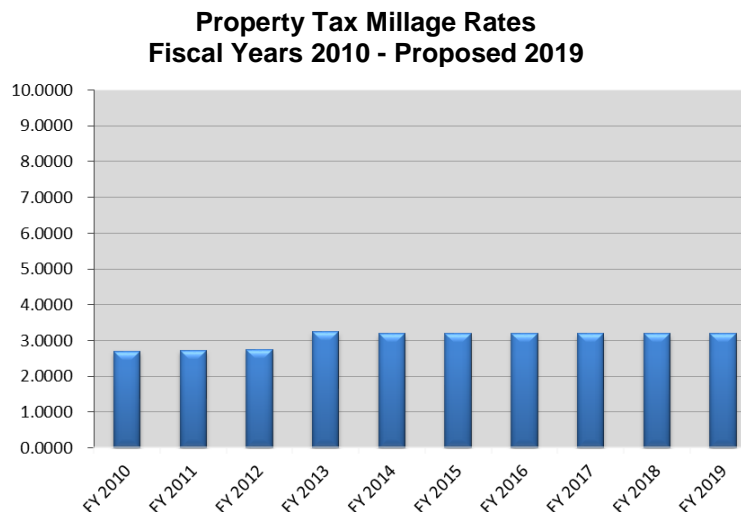
All general fund debt service payments are reported in the debt fund. The payment for the Herald Court Centre loan, which is funded by tax increment financing (TIF) revenue, is paid through a transfer from the CRA fund to the debt fund. A loan for the Hurricane Irma seawall repairs will be paid through a transfer from the PGI Canal Maintenance fund assessments when payments become due.

The lot mowing program annual fee is placed on the property tax bill as an annual assessment. The proposed rate of \$170, an increase of \$5 over the current fee, covers the costs of a coordinator, the mowing contract and administration. A public hearing for approval of the assessment will be held at the same date and time as the public hearing for the proposed FY 2019 budget.

There were no changes made to the funding levels of the City's charter membership contributions to the Charlotte Harbor Environmental Center (CHEC), Charlotte Harbor National Estuary Program and United Way of Charlotte County community impact funding. No change to the reserve for general contingencies of \$15,000. Operating reserves are discussed in detail beginning on page 2.21 –Fund Balance.

Millage and Taxable Assessed Value

The proposed FY 2019 millage rate of 3.1969 mills, maintained since FY 2014, is 5.3% over the rolled back rate of 3.0360. 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.



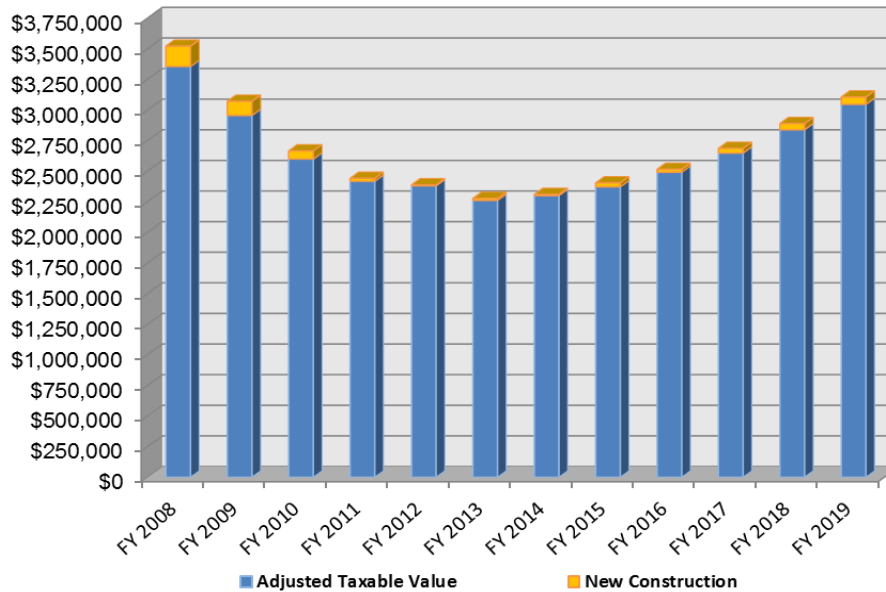
A mill is equal to one dollar of tax for each \$1,000 of taxable value. Florida Statutes caps the millage rate at 10 mills.

History of Taxable Property Values

Fiscal Year	Final Gross Taxable Value*	\$ Change from Previous Year	% Change from Previous Year	New Construction	% of Previous Year Gross Taxable Value
2008	\$3,496,182,626	-\$19,378,360	-0.6%	\$168,546,000	4.8%
2009	\$3,062,265,808	-\$433,916,818	-12.4%	\$115,280,000	3.3%
2010	\$2,646,132,752	-\$416,133,056	-13.6%	\$65,914,000	2.2%
2011	\$2,447,711,910	-\$198,420,842	-7.5%	\$24,317,000	0.9%
2012	\$2,367,768,124	-\$79,943,786	-3.3%	\$7,854,000	0.3%
2013	\$2,270,096,296	-\$97,671,828	-4.1%	\$16,856,000	0.7%
2014	\$2,308,224,076	\$38,127,780	1.7%	\$9,890,893	0.4%
2015	\$2,398,248,062	\$90,023,986	3.9%	\$32,800,312	1.4%
2016	\$2,513,363,249	\$115,115,187	4.8%	\$23,895,443	1.0%
2017	\$2,685,303,159	\$171,939,910	6.8%	\$38,357,930	1.5%
2018	\$2,887,855,644	\$202,552,485	7.5%	\$50,549,762	1.9%
2019	\$3,104,695,310	\$216,839,666	7.5%	\$60,086,894	2.1%

*Includes New Construction

Gross Taxable Value (in thousands)



The Charlotte County Appraiser’s July 1st certification shows a 5.4% overall increase for properties on the books from the prior year, and an additional 2.1% provided by new construction, annexations and changes in exemption for calendar year 2017. This is the sixth 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 twelve years is a cumulative 11.7% 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 480 in FY 2019 based on the property appraiser’s preliminary estimates.

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

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

Calculation of City Ad Valorem Tax on Various Homestead Single Family Values		
Fiscal Year 2019		
Assessed Value	\$150,000	\$300,000
Statutory Homestead	(50,000)	(50,000)
Taxable	\$100,000	\$250,000
Millage Rate	3.1969	3.1969
Tax	\$320	\$799

Fund Balance

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

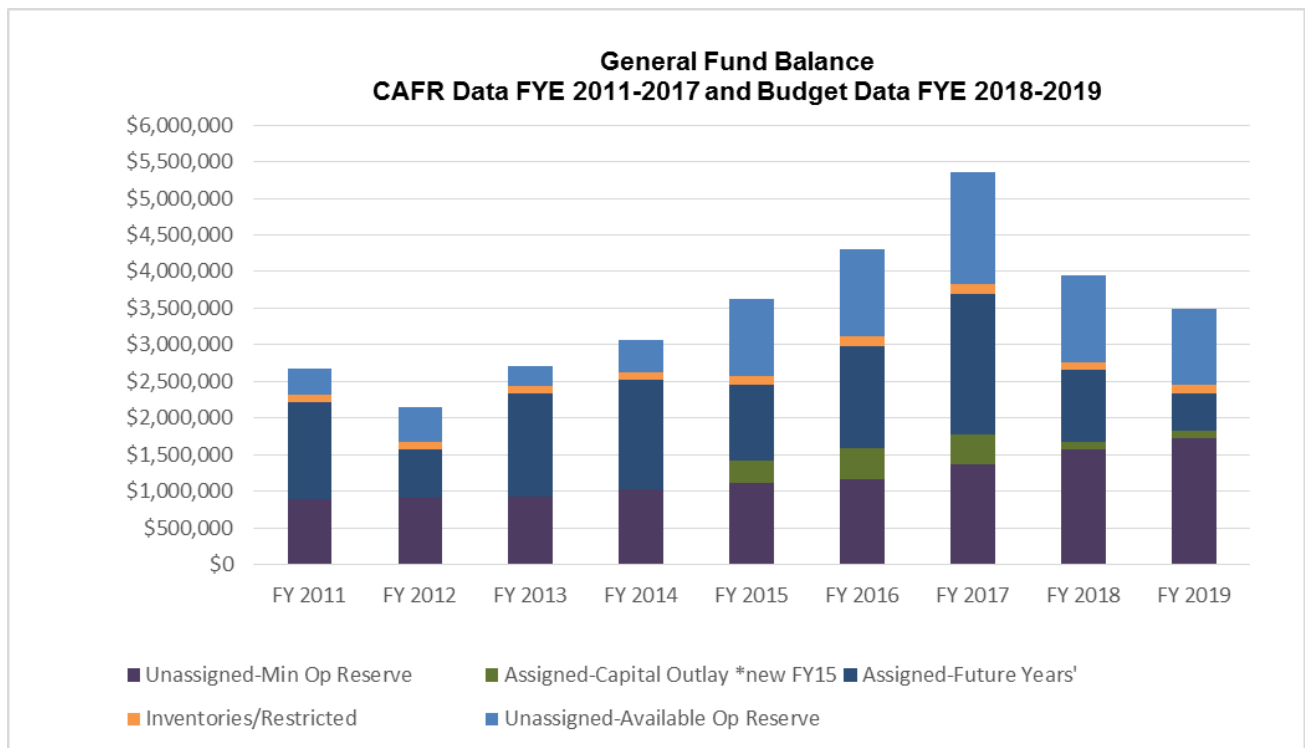
- An adequate level of unrestricted fund balance will be maintained so credit rating agencies will recognize the City is in sound financial condition when they evaluate the City’s credit worthiness.
- The City will strive to follow the Government Finance Officers Association’s (GFOA) recommendation for a minimum level of unrestricted fund balance for the General Fund. The GFOA states the unrestricted fund balance for the General Fund should be a minimum of 2 months of operating expenditures, or 16.7%.
- *For the General Fund and all other operating funds, except the Utilities Fund, the City will establish an unassigned fund balance minimum of 8.0% 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.

Beginning in FY 2007, the City earmarked a portion of reserves over the minimum policy to assist in paying for ongoing levels of service until such time as the economy fully rebounds. FY 2019 continues this practice.

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

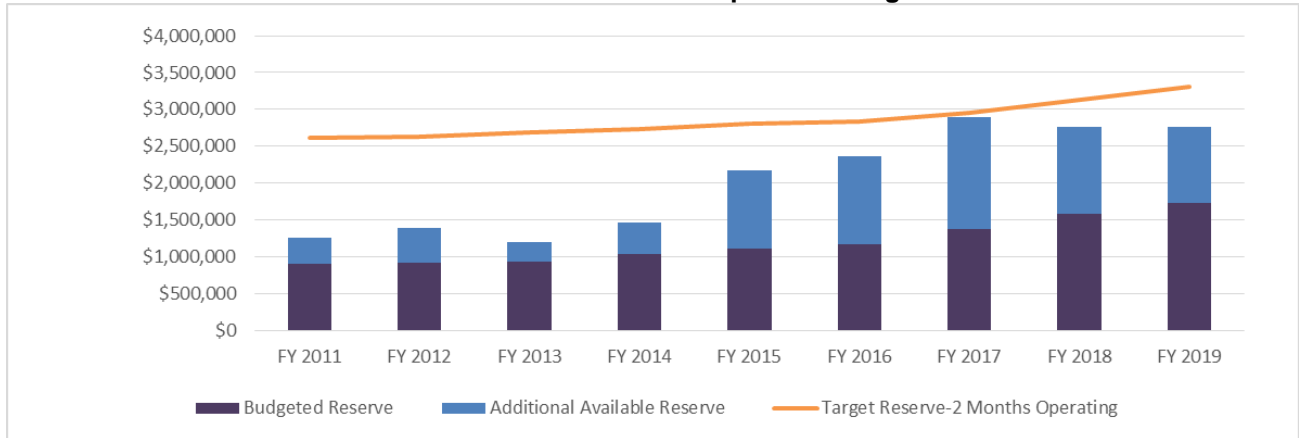
Fund Balance Category	FY 2016 Amount	% of Exp.	FY 2017 Amount	% of Exp.	Projected FY 2018 Amount	% of Exp.	Proposed FY 2019 Amount	% of Exp.
Inventories/Restricted	\$ 129,763	0.8%	\$ 136,582	0.8%	\$ 106,000	0.5%	\$ 106,000	0.5%
Assigned-Future Years' Use of Op. Reserve	1,391,189	7.7%	1,908,690	9.9%	971,800	4.6%	512,270	2.4%
Assigned-Capital Outlay Reserve	420,000	2.3%	409,505	2.1%	104,000	0.5%	104,000	0.5%
Unassigned-Minimum Op. Reserve (Orig)	1,171,000	6.5%	1,372,000	7.2%	1,575,000	7.5%	1,725,000	8.0%
Unassigned-Available Op. Reserve	1,194,335	6.6%	1,524,556	7.9%	1,194,591	5.7%	1,044,591	4.8%
Total Fund Balance	\$ 4,306,287	23.9%	\$ 5,351,333	27.9%	\$ 3,951,391	18.8%	\$ 3,491,861	16.2%
General Fund Orig Budgeted Expenditures	\$ 18,003,350		\$ 19,185,943		\$ 20,989,827		\$ 21,556,198	

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 2019, it is set at 8.0% of the total expenditure appropriations for the general fund, which calculates to \$1,725,000. 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 2023, the minimum reserve will be at 10.0%.



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

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



The second block of the reserves was new in FY 2015. It is a funding mechanism for capital outlay that provides a smoothed amount to be funded annually, based on the five year capital outlay plan. The current annual smoothed level of general revenue funding for capital outlay is \$740,000. Those amounts unused will be carried in the reserve until the year scheduled for use. See five year capital outlay summary for details. In the FY 2018 reserve, the amount of \$104,000 is reserved and will be reserved until FY 2020 to fund a larger capital outlay, without a spike in the operating budget. The third block of the reserves is the amount identified as needed to balance the subsequent year's budget in the proforma. In this case, FY 2020 as currently projected, would need an additional \$512,270 from reserves to be balanced. It is decreasing from the level needed in FY 2018 due to increases in service levels less than the increase in revenues. The City has added (3) school resource officers to be largely funded by the school district. The City has continued the annual \$500,000 city-wide drainage program and \$199,000 continued funding of the strategic communications program. While the latter is expected to improve the City's revenue base, it is not yet reflected in the five year proforma. The fourth block is the small amount of funds identified in the Comprehensive Annual Financial Report (CAFR) as inventories. The final and fifth block is the remaining amount of reserves that are available for use. The City has not appropriated them for expenditures, and as such, are considered as part of the current operating reserve for purposes of stabilizing the general fund. In future years, as the policy allows the minimum reserve to increase these funds will be shifted from the available reserve to the minimum required reserve.

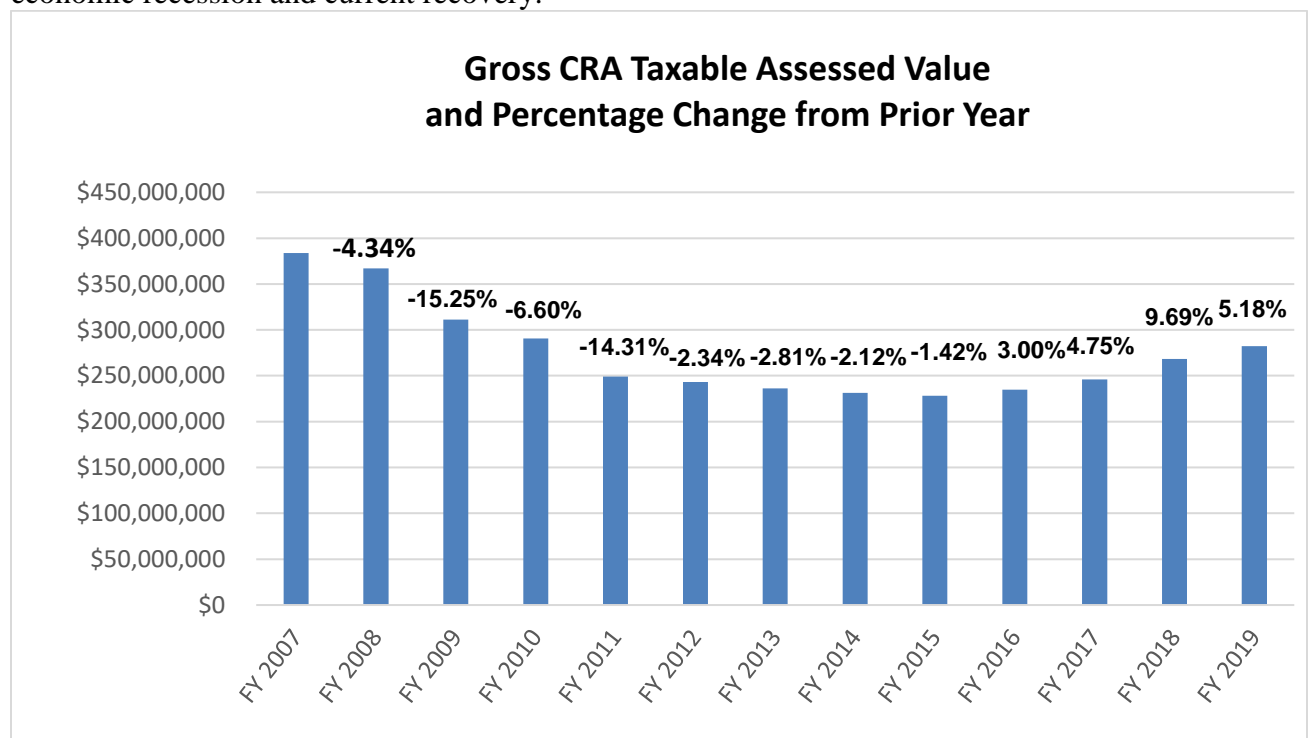
Community Redevelopment Agency

City Council created the Community Redevelopment Agency (CRA) in 1989 as a mechanism to carry out the goals and objectives of the Downtown Redevelopment Plan and Eastside & Downtown Planning Study. Projects constructed within the CRA 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 twelve 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	\$268,367,069	\$570,342	\$1,124,073	\$1,694,415
FY 2019	\$282,259,416	\$612,534	\$1,207,228	\$1,819,762

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



In July 2012, the CRA Board and City Council, in partnership with Charlotte County, recognized that declining taxable values could not support the repayment schedule of existing debt. In doing so, the three governing bodies approved the extension of the life of the CRA until December 31, 2030. Subsequently, the City completed refinancing CRA debt to better match income flow and to eliminate projected deficits. Due to the passed Tax Cuts and Jobs Act, the corporate tax rate was reduced to 21% from a maximum rate of 35% as if January 1, 2018. This change increased the City's interest cost over the remaining life of the loan by \$454,000 and has been updated in the proforma. The proforma continues to anticipate conservative assessed property value increases of 3%-0% in FY 2020 through FY 2023. The resulting estimated debt service reserve grows from \$969,000 at end of FY 2019 to \$2,236,000 at end of FY 2023, 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 2019 reflect this trend with a budget of \$195,000. The proforma below includes an annual placeholder of \$145,000 for maintenance and repairs for FY 2020 through FY 2023. If funds are not needed in the current fiscal year, they will carryover to the next fiscal year, thereby ensuring funds are available to properly maintain the infrastructure. The reserve for other operations in this category shows a balance of \$385,000 at end of FY 2019 and decreasing to \$288,000 at end of FY 2023.

The Herald Court lease revenue for FY 2019 includes the current tenants as well as a projection to fill 2,849 sq. ft. of currently vacant space as of January 1, 2019. Based on these projections, the reserve for the Herald Court Centre shows a balance at end of \$222,000 in FY 2019 and growing to \$537,000 at end of FY 2023. This reserve has two segments, the first is those funds received through the common area maintenance (CAM) fee and prepaid taxes from tenants that must be reserved for such use, and the second is available to cover shortfalls in lease revenue for purposes of ongoing operations and maintenance.

**Community Redevelopment Agency Fund
Proforma Schedule of Revenues and Expenditures
Proposed FY 2019 through Proforma FY 2023**

	Proposed FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023
Debt Service Division					
Assessed Property Valuation change	5.2%	3%	3%	0%	0%
Tax Increment Financing (TIF) Revenue	\$1,819,762	\$1,874,355	\$1,930,585	\$1,930,585	\$1,930,585
CRA Lease Payments (Debt Service)	1,496,924	1,538,772	1,578,405	1,620,749	1,660,731
Revenues in Excess of Debt Svc	322,838	335,583	352,180	309,836	269,854
Reserve - TIF for Debt Svc (Beg)	646,052	968,890	1,304,473	1,656,653	1,966,489
Reserve - TIF for Debt Svc (End)	\$968,890	\$1,304,473	\$1,656,653	\$1,966,489	\$2,236,343
Herald Court Operations Division					
Herald Court Revenues	\$259,224	\$276,901	\$282,159	\$285,613	\$288,793
Herald Court Operating Expenditures	185,990	194,060	202,390	208,011	214,252
Revenues in Excess of Herald Ct					
Operations	73,234	82,841	79,769	77,602	74,541
Reserve - Herald Ct (Beg)	149,155	222,389	305,230	384,999	462,601
Reserve - Herald Ct (End)	\$222,389	\$305,230	\$384,999	\$462,601	\$537,142
CRA Operations Division					
Other CRA Revenues	\$127,594	\$128,456	\$129,327	\$130,207	\$131,095
Other CRA Operating Expenditures	204,000	154,000	154,000	154,000	154,000
Revenues in Excess (Shortfall) of Other					
Operations	(76,406)	(25,544)	(24,673)	(23,793)	(22,905)
Reserve - Other Operations (Beg)	461,413	385,007	359,463	334,790	310,997
Reserve - Other Operations (End)	\$385,007	\$359,463	\$334,790	\$310,997	\$288,092

Utilities

The FY 2019 spending plan for Utilities operations, maintenance and repair (OM&R) is \$15,806,232 which is \$5,513,451 or 25.9% less than budget FY 2018. The significant decrease is attributable to the \$5,725,000 decrease in transfer to the Utilities construction fund. The major projects funded in FY 2018 such as the reverse osmosis (water plant project, replacement generator for the water plant, GIS mapping project, and Jones Loop forcemain project will carryover into FY 2019. Increases in division operational expenses of \$397,859 are due to 3% employee salary increases, 8% health insurance increases, the addition of a GIS/engineering technician in Utilities administration, and an estimated 3% change to operating contracts and materials due to growth and consumer price index adjustments. There is also a \$104,090 increase in capital outlay funding. The contribution to the regional pipeline project of \$1.5 million has been delayed until FY 2020. Although new debt service payments are not scheduled to begin until FY 2020, the related debt reserve is continuing to be funded in FY 2019 at \$544,200 based on the financing needs for the Groundwater Reverse Osmosis (RO) Water Treatment Plant.

Utilities O M & R Fund
Revenue and Expense Comparison
Actual FY 2016 through Budget FY 2019

	Actual FY 2016	Actual FY 2017	Budget FY 2018	Projected FY 2018	Budget FY 2019
Revenues:					
Chg for Serv - Water	\$ 9,069,465	\$10,467,321	\$ 9,385,070	\$ 9,913,255	\$ 9,941,070
Chg for Serv - Sewer	6,743,164	7,303,050	7,100,140	7,328,080	7,335,040
Other	1,505,694	507,881	451,515	483,005	645,505
Subtotal	17,318,323	18,278,252	16,936,725	17,724,340	17,921,615
Reserves	4,523,219	7,642,386	7,963,749	9,083,084	5,370,259
Total Revenues	\$21,841,542	\$25,920,638	\$24,900,474	\$26,807,424	\$23,291,874
Expenses:					
Administration	\$ 1,406,629	\$ 1,469,204	\$ 1,590,283	\$ 1,550,383	\$ 1,711,877
Water	4,654,653	4,771,348	5,388,706	5,483,482	5,465,752
Wastewater	4,471,184	5,117,232	5,070,567	5,264,385	5,537,331
Other	628,735	697,770	928,527	803,115	762,072
Debt and Debt Transfers	782,955	200,000	1,031,600	615,800	744,200
Transfer for Capital	1,755,000	4,582,000	7,310,000	7,720,000	1,585,000
Contribution for Pipeline	500,000				
Subtotal	14,199,156	16,837,554	21,319,683	21,437,165	15,806,232
Reserves	7,642,386	9,083,084	3,580,791	5,370,259	7,485,642
Total Expenses	\$21,841,542	\$25,920,638	\$24,900,474	\$26,807,424	\$23,291,874

The current five-year financial forecast is based on 2-day per week watering; average rainfall; and new financing based on the FY 2019-2023 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. The current proforma continues to suspend the recommended 4% water & sewer rate increase that was planned for FY 2018 based on the 2015 Rate Sufficiency Study by Burton & Associates with a 50% grant for the RO plant. Based on the current proforma, the projected revenues and reserves as shown are sufficient to fund the FY 2019-2023 capital improvements plan. Both the Utilities Advisory Board and City Council have recently approved moving forward on a Septic to Sewer plan for properties in the Utilities service area that

are outside the City limits. This plan will be developed over the coming months and will need to be incorporated into the FY 2020-2024 capital improvement plan.

**Utilities OM&R Fund
Proforma Schedule of Revenues and Expenses
Proposed FY 2019 through Proforma FY 2023**

	Proposed FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023
Revenues:					
Chg for Serv - Water	\$9,941,070	\$9,990,775	\$10,040,729	\$10,090,933	\$10,141,388
Chg for Serv - Sewer	7,335,040	7,371,715	7,408,574	7,445,617	7,482,845
Other Revenue	645,505	1,253,972	1,268,969	939,995	950,053
Total Revenues	17,921,615	18,616,462	18,718,272	18,476,545	18,574,286
Expenses:					
Operations	13,477,032	13,910,919	14,436,005	14,906,197	15,394,519
Renewal & Replacement of Infrastructure	1,120,000	1,120,000	1,120,000	1,120,000	1,120,000
Transfer for Capital Improvement Projects	465,000	545,000	275,000	500,000	525,000
Existing Debt Service	200,000	200,000	200,000		
New Debt Service		1,185,000	1,185,000	1,185,000	1,185,000
Transfer to SRF Fund-reserve incr(decr)	544,200	225,000	(375,000)		
Contribution to Pipeline Project		1,500,000			
Total Expenses	15,806,232	18,685,919	16,841,005	17,711,197	18,224,519
Revenues in Excess (Shortfall) of Expenses	2,115,383	(69,457)	1,877,267	765,348	349,767
Operating Reserves-Beg	5,370,259	7,485,642	7,416,185	9,293,452	10,058,800
Operating Reserves-End	\$7,485,642	\$7,416,185	\$9,293,452	\$10,058,800	\$10,408,567

Utilities Reserves

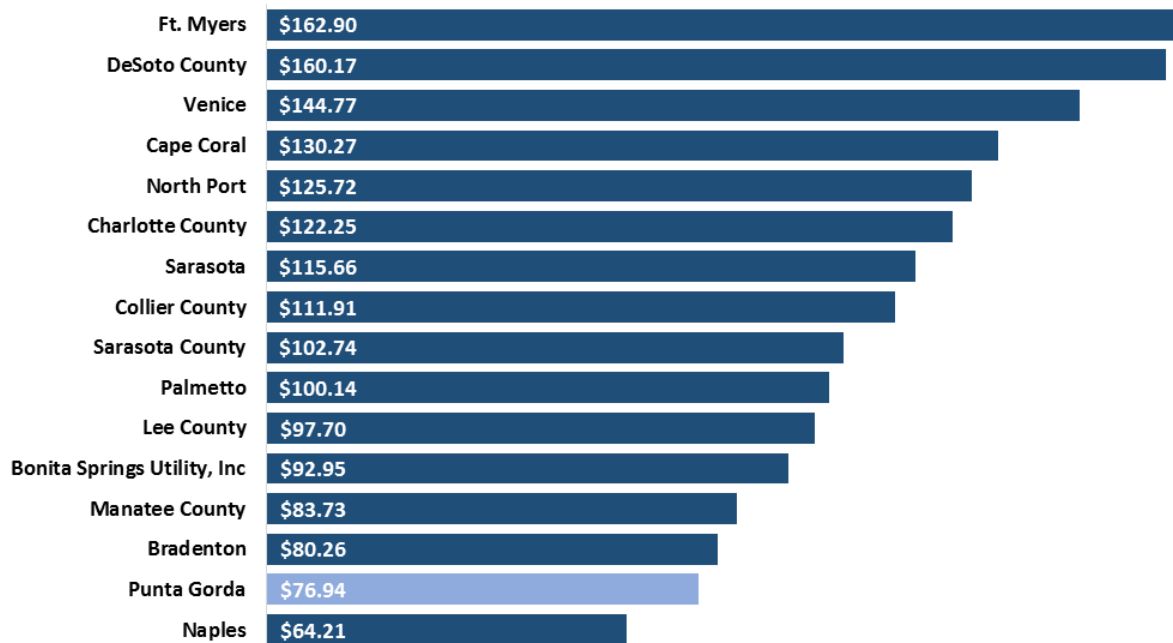
The City has legal and adopted financial policies utilizing reserves for the following purposes:

- 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 \$704,090 funding level in FY 2019; and \$700,000 for FY 2020 through FY 2023. If the funds are not spent in the budgeted fiscal year, they will be placed in the Capital Outlay reserves. This will ensure that current and future aging issues of mechanical parts in both plants can be addressed in an adequate manner.
- Existing State Revolving Loan Fund (SRF) reserve fund maintains one year of debt service payments and proforma shows addition of \$544,200 in FY 2019 and \$225,000 in FY 2020, 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 Groundwater Reverse Osmosis (RO) Water Treatment Plant, wastewater force main on Jones Loop Road, and planned expansion of the wastewater plant.

Utilities Rate Comparison

The City's utility rates are the 2nd lowest among the Southwest Florida utilities surveyed at the current FY 2018 rates.

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



The survey also gathered information available regarding FY 2019 expected rate increases. Findings indicated that only four entities are considering rate increases at this time: Venice, Collier County, Palmetto, and Bradenton. With the City not proposing any rate increase, it is anticipated that the City will continue to remain one of the lowest cost service providers in the area.

Utilities Construction

Significant capital projects currently in progress that will be carried over to FY 2019 are the Groundwater Reverse Osmosis (RO) Water Treatment Plant construction, (2) RO production wells, the Automated Meter Reading system installation, water treatment plant generator replacement, and the Jones Loop Force Main extension project.

Riverside Drive forcemain extension project is currently under consideration by City Council is not included in the FY 2019 budget at this time.

Total FY 2019 capital projects of \$1.6 million are being funded with \$1.1 million as identified in the financial policies for ongoing recurring capital replacement and an additional \$0.5 million from user charges and unassigned operating reserves through a transfer to the Utilities Construction Fund.

**Utilities Construction Fund
Proforma Schedule of Revenues and Expenses
Proposed FY 2019 through Proforma FY 2023**

	Proposed FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023
Revenues:					
Transfer from Utilities OM&R	\$1,585,000	\$1,665,000	\$1,395,000	\$1,620,000	\$1,645,000
Transfer from Sewer System Impacts		100,000	100,000	850,000	850,000
Total Revenues	1,585,000	1,765,000	1,495,000	2,470,000	2,495,000
Expenses:					
Water Treatment Plant Imprv	175,000	425,000	25,000		25,000
Water Distribution System Imprv	220,000	220,000	220,000	220,000	220,000
Wastewater Collection System Imprv	900,000	900,000	900,000	900,000	900,000
Wastewater Treatment Plant Imprv	290,000	220,000	350,000	1,000,000	1,000,000
Total Expenses	1,585,000	1,765,000	1,495,000	2,120,000	2,145,000
Revenues in Excess of Expenses	\$0	\$0	\$0	\$350,000	\$350,000
Beg. Reserve for R&R Projects	\$0	\$0	\$0	\$0	\$350,000
End. Reserve for R&R Projects	\$0	\$0	\$0	\$350,000	\$700,000

Sanitation

The City operates its sanitation services as an enterprise fund and collects refuse two days per week and horticulture one day per week for 11,700 residential accounts. For the 650 commercial accounts collection is available 6 days per week. The City has improved the recycling program by providing a 48 gallon rolling cart to each household, which is collected one day per week by an outside vendor. The projected diversion of waste stream from the landfill is 37%, which exceeds the 30% mandate. The program continues in FY 2019 with a proposed rate increase of \$0.60 per month or \$7.20 per year, due to a contract increase. The four packers scheduled for replacement in FY 2016 that were delayed while staff reviewed options for alternative service delivery have been purchased in FY 2018. 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. The budget also reflects a 10-year fleet replacement program which is under review. As with the general and utility fund, City Council has approved funding of a capital outlay reserve in order to stabilize the funding source. However, with the need to purchase the carts in FY 2018, adequate funding cannot be accumulated in time for the FY 2020 purchase of three additional packers or in FY 2022 to purchase one packer and other equipment identified. The need will be analyzed and if possible, the packers in FY 2020 and 2022 will be delayed to avoid financing. The current proforma shows a need of financing all of the equipment replacement in FY 2022. Additional rate increases may be needed in FY 2021 or FY 2022 to support the fleet replacement. This will be addressed in the next year's budget process.

Sanitation Fund
Proforma Schedule of Revenues and Expenses
Proposed FY 2019 through Proforma FY 2023

	Proposed FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023
Revenues:					
Chg for Serv - Refuse Collection	\$3,619,960	\$3,685,166	\$3,798,828	\$3,912,784	\$4,027,038
Other Revenue	26,270	23,270	23,270	23,270	23,270
Capital Lease/Purchase				475,000	
Total Revenues	3,646,230	3,708,436	3,822,098	4,411,054	4,050,308
Expenses:					
Operations	3,467,572	3,622,367	3,794,087	3,971,045	4,153,448
Capital	150,000	750,000		475,000	
Debt Service				39,750	79,500
Total Expenses	3,617,572	4,372,367	3,794,087	4,485,795	4,232,948
Revenues in Excess (Shortfall) of Expenses	28,658	(663,931)	28,011	(74,741)	(182,640)
Operating Reserves-Beg	643,048	571,706	407,775	435,786	361,045
Capital Outlay Reserves-Beg	400,000	500,000	0	0	0
Capital Outlay Reserves-End	\$500,000	\$0	\$0	\$0	\$0
Operating Reserves-End	\$571,706	\$407,775	\$435,786	\$361,045	\$178,405

To compare the City's rates with surrounding jurisdictions, a survey was taken during August 2018. All rates include once per week service for yard waste and recycling and either once or twice per week refuse pickup, as noted.

Sanitation Rate Comparison for FY 2019

Jurisdiction	Proposed FY 2019 Cost/Year	Frequency of Service per Week	Outsourced
City of Sarasota	\$294.60	1	No
Punta Gorda	\$266.40	2	No
Naples	\$255.25	2	No
North Port	\$230.00	1	No
Fort Myers	\$228.96	1	No
Collier County	\$213.24	2	Yes
Venice	\$202.08	2	No
Charlotte County	\$172.00	1	Yes
Manatee County	\$171.96	2	Yes
Cape Coral	\$163.43	1	Yes
Sarasota County	\$159.48	1	Yes

Punta Gorda Isles Canal Maintenance District

The proposed budget for the Punta Gorda Isles (PGI) canal maintenance assessment district reflects the Advisory Committee recommendation to increase the annual operating assessment from \$550 to \$650. The City was impacted by Hurricane Irma in September 2018. As a result, there were substantial seawall failures, an estimated 50,399 lineal feet. The City is working closely with FEMA and the State for recovery of 87.5% of the expenditures and for rip rap mitigation. The proposed additional \$100 assessment is scheduled to fund the repayment of debt service on the City's share of the projects, 12.5% of the expenditures. In addition, some of the normal \$550 assessment in FY 2019 will be used for this purpose as well. It is offset by the reduced normal seawall replacement program that cannot be accomplished until the current seawall failures from Hurricane Irma are completed, which is scheduled for the end of FY 2019.

The five-year proforma proposes the \$650 assessment in FY 2019 through FY 2022, before being reduced back to the \$550 in FY 2023. If assistance were not available, seawall expenditures and estimated assessment increases for FY 2020 and beyond would be reviewed during the next budget process. The proforma includes four full-time temporary personnel hired in FY 2018 to oversee the contractors work and communications through the end of FY 2019.

Replacement of one vehicle is included in capital outlay in FY 2020 and channel construction to access spoil site and Ponce de Leon Inlet widening & dredging projects are scheduled in FY 2021.

PGI Canal Maintenance Fund Proforma Schedule of Revenues and Expenditures Proposed FY 2019 through Proforma FY 2023

	Proposed FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023
Assessment Rate	\$650	\$650	\$650	\$650	\$550
Revenues:					
Operating Assessment	\$3,381,400	\$3,381,400	\$3,381,400	\$3,381,400	\$2,861,750
FEMA & State-Hurr. Irma Reimb.	10,350,595				
Other Revenue	15,500	12,100	12,000	12,000	12,000
Total Revenues	13,747,495	3,393,500	3,393,400	3,393,400	2,873,750
Expenditures:					
Operations	1,204,070	962,965	997,510	1,033,515	1,071,070
Inlet Dredging	50,000	51,505	53,050	54,640	56,280
Seawalls, Caps and Stabilization	323,425	1,747,155	1,748,225	1,749,330	1,750,465
Capital		40,000	425,000		
Seawall Repairs & Mitigation-Hurr.Irma	11,610,000				
Debt Service-Hurr. Irma	560,000	560,000	560,000	560,000	
Total Expenditures	13,747,495	3,361,625	3,783,785	3,397,485	2,877,815
Revenues in Excess (Shortfall) of Expenditures	0	31,875	(390,385)	(4,085)	(4,065)
Operating Reserves-Beg	1,022,654	1,077,654	1,109,529	1,144,144	1,140,059
Reserve Seawall Replacement-Beg	480,000	425,000	425,000	0	0
Reserve Seawall Replacement-End	\$425,000	\$425,000	\$0	\$0	\$0
Operating Reserves-End	\$1,077,654	\$1,109,529	\$1,144,144	\$1,140,059	\$1,135,994

Burnt Store Isles Canal Maintenance District

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

The City was impacted by Hurricane Irma in September 2018. As a result, there were seawall failures in the BSI Canal Maintenance District, an estimated 2,146 lineal feet. The City is working closely with FEMA and the State for recovery of 87.5% of the expenditures. The current assessment is sufficient to fund the City's share of the project, 12.5% of the expenditures.

The five-year proforma proposes maintaining the \$555 assessment through FY 2023. If Federal/state assistance were not available, an estimated assessment increase for FY 2020-2023 of \$236 might be needed if other expenditures were not reduced. The \$555 assessment is broken down each year to indicate that \$460 is for normal operations and annual funding of seawall replacement reserve, \$95 is for debt service on completed perimeter dredging project through FY 2021, and \$95 tentative in FY 2022 & FY 2023 to fund special projects that are under consideration.

Barge access/inlet widening project is scheduled in FY 2021. Channel corner widening project is under consideration and estimates have not yet been determined.

BSI Canal Maintenance Fund Proforma Schedule of Revenues and Expenditures Proposed FY 2019 through Proforma FY 2023

	Proposed FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023
Operating Rate	\$460	\$460	\$460	\$460	\$460
Dredging Rate	\$95	\$95	\$95		
Tentative Rate				\$95	\$95
Revenues:					
Operating Assessment	\$474,800	\$474,800	\$474,800	\$474,800	\$474,800
Dredging Assessment	97,950	97,950	97,950		
Tentative Assessment				97,950	97,950
Other Revenue	3,150	2,150	1,400	1,000	1,000
FEMA & State-Hurr. Irma Reimb.	17,500				
Total Revenues	593,400	574,900	574,150	573,750	573,750
Expenditures:					
Operations	150,540	96,700	98,904	99,988	101,115
Inlet Dredging	38,000	38,000	38,000	38,000	38,000
Seawalls, Caps and Stabilization	301,000	301,000	301,000	320,000	320,000
Rim Dredging Proj Debt Service	95,860	95,860	95,860		
Barge Access-Inlet Widening Proj			250,000		
Channel Corner Widening Proj				TBD	TBD
Total Expenditures	585,400	531,560	783,764	457,988	459,115
Revenues in Excess (Shortfall) of Expenditures	8,000	43,340	(209,614)	115,762	114,635
Operating Reserves-Beg	208,004	206,004	204,344	199,730	175,492
Reserve Seawall Repl & Spec.Proj-Beg					95,000
Reserve Seawall Replacement-Beg	100,000	110,000	155,000	(50,000)	(5,000)
Reserve Seawall Replacement-End	\$110,000	\$155,000	(\$50,000)	(\$5,000)	\$40,000
Reserve Seawall Repl & Spec.Proj-End				\$95,000	\$190,000
Operating Reserves-End	\$206,004	\$204,344	\$199,730	\$175,492	\$150,127

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 2019 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 2019 to offset costs of maintenance and repairs of the Laishley Park Municipal Marina Pumpout Boat. FY 2019 Capital outlay includes repair & maintenance for the mooring field, pumpout boat motor replacement, work boat replacement, and replacement of appliances in the boaters’ laundry facilities. The City will pursue grants for boat motor replacement and work boat replacement.

**Laishley Park Marina Fund
Proforma Schedule of Revenues and Expenses
Proposed FY 2019 through Proforma FY 2023**

	Proposed FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023
Revenues:					
Slip & Mooring Rentals	\$394,000	\$397,940	\$401,920	\$405,940	\$410,000
Intergovernmental Revenue	7,000	11,000	11,000	11,000	11,000
Other Revenue	27,200	27,475	27,750	28,030	28,310
Total Revenues	428,200	436,415	440,670	444,970	449,310
Expenses:					
Laishley Park Marina Expenses	193,755	199,530	205,125	210,975	217,085
Marina Park Contract Expenses	232,500	239,475	245,625	251,960	258,480
Capital Outlay	46,000	6,000	6,000	6,000	6,000
Total Expenses	472,255	445,005	456,750	468,935	481,565
Revenues in Excess (Shortfall) of Expenses	(44,055)	(8,590)	(16,080)	(23,965)	(32,255)
Operating Reserves-Beg	386,554	342,499	333,909	317,829	293,864
Operating Reserves-End	\$342,499	\$333,909	\$317,829	\$293,864	\$261,609

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

Building

The Building fund is operated as an enterprise fund and includes all aspects of permitting, inspections, plans review and licensing of contractors to support the State and City building codes. The City has established various permit fees to pay for services provided. Staffing had been reduced from thirteen positions in FY 2006 to five in FY 2013 with furloughs due to a decline in permit applications, inspections and stagnant growth trends. Since the turnaround that began in FY 2013, staff was reinstated to full 40 hour work weeks, a full-time building inspector and a part-time permit clerk were added mid-year in FY 2014, and an additional full-time building inspector was added and the part-time permit clerk position was increased to full-time during FY 2016. A mid-year authorization in FY 2018 added an additional full-time building inspector bringing total positions to nine. There are no changes proposed for FY 2019

Permit fees will remain the same in FY 2019. The five year proforma projects permit revenues remaining level FY 2019 through FY 2023. The City will continue to monitor activity and may adjust work schedules or staffing levels in the future if activity warrants and revenues allow. Capital outlay is projected for a new vehicle in FY 2019 for the new position added in FY 2018. As experienced in the previous economic downturn (FY 2008 – 2013), the level of reserves projected is necessary to continue necessary levels of service even during downturns in new construction starts.

Building Fund
Proforma Schedule of Revenues and Expenses
Proposed FY 2019 through Proforma FY 2023

	Proposed FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023
Revenues:					
Permits, Fees & Spec.Assessments	\$913,500	\$913,500	\$913,500	\$913,500	\$913,500
Other Revenue	49,500	48,000	45,750	44,250	42,000
Total Revenues	963,000	961,500	959,250	957,750	955,500
Expenses:					
Operations	990,480	1,026,115	1,063,175	1,101,715	1,141,810
Capital	25,000				
Total Expenses	1,015,480	1,026,115	1,063,175	1,101,715	1,141,810
Revenues in Excess (Shortfall) of Expenses	(52,480)	(64,615)	(103,925)	(143,965)	(186,310)
Operating Reserves-Beg	1,311,027	1,258,547	1,193,932	1,090,007	946,042
Operating Reserves-End	\$1,258,547	\$1,193,932	\$1,090,007	\$946,042	\$759,732

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 2019. A history of revenue received since FY 2010 is displayed below.

Fiscal Year	6 Cents	5 Cents	Total
2010	\$ 567,590	\$ 241,760	\$ 809,350
2011	\$ 507,120	\$ 234,770	\$ 741,890
2012	\$ 531,480	\$ 248,440	\$ 779,920
2013	\$ 526,830	\$ 243,570	\$ 770,400
2014	\$ 548,900	\$ 259,200	\$ 808,100
2015	\$ 573,000	\$ 266,700	\$ 839,700
2016	\$ 588,200	\$ 274,500	\$ 862,700
2017	\$ 593,900	\$ 278,400	\$ 872,300
2018	\$ 599,000	\$ 278,300	\$ 877,300
2019	\$ 618,000	\$ 281,000	\$ 899,000

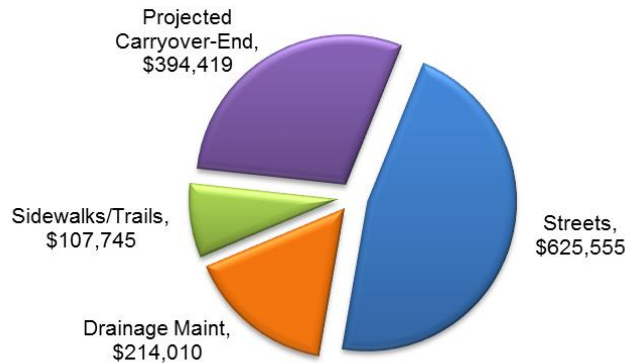
The effect of elasticity of gas consumption (the tax is charged on gallons not dollars) in the past years of increased gas prices resulted in a decline of revenue in the high priced years. Revenues have increased during the recent gas price reduction.

The Six Cent Gas Tax Fund five-year proforma projects additional road and right of way maintenance due to the Jones Loop annexation and an increase in sidewalk replacements, and projects the use of reserves to cover shortfalls through FY 2023.

Six Cent Gas Tax Fund Proforma Schedule of Revenues and Expenditures Proposed FY 2019 through Proforma FY 2023

	Proposed FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023
Revenues:					
Local Option Gas Tax	\$618,000	\$624,200	\$630,400	\$636,600	\$642,860
Other Revenue	248,627	252,415	251,415	250,415	254,295
Total Revenues	866,627	876,615	881,815	887,015	897,155
Expenditures:					
Operating Expenditures	947,310	959,745	973,035	986,695	1,000,740
Total Expenditures	947,310	959,745	973,035	986,695	1,000,740
Revenues in Excess (Shortfall) of Expenditures	(80,683)	(83,130)	(91,220)	(99,680)	(103,585)
Operating Reserves-Beg	475,102	394,419	311,289	220,069	120,389
Operating Reserves-End	\$394,419	\$311,289	\$220,069	\$120,389	\$16,804

**Six Cent Gas Tax Fund
FY 2019 Budgeted Expenditures**

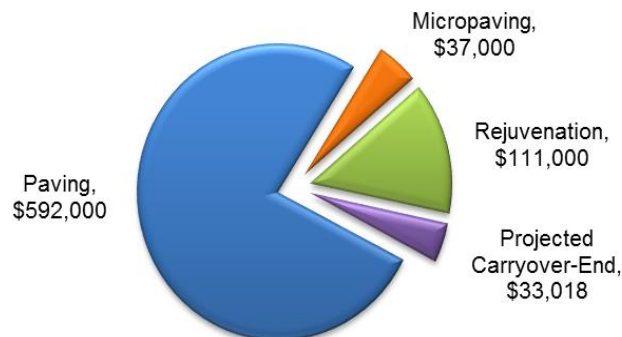


The Additional Five Cent Gas Tax Fund five-year proforma projects a slightly increasing tax revenue, which does not fully support the required annual paving program as identified by the City Engineering Division. Council addressed the importance of maintaining the City’s road infrastructure with a policy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

**Additional Five Cent Gas Tax Fund
Proforma Schedule of Revenues and Expenditures
Proposed FY 2019 through Proforma FY 2023**

	Proposed FY 2019	Proforma FY 2020	Proforma FY 2021	Proforma FY 2022	Proforma FY 2023
Revenues:					
Local Option Gas Tax	\$281,000	\$283,800	\$286,600	\$289,500	\$292,400
Transfer from General Fund Ad Valorem	459,000	459,000	459,000	459,000	459,000
Total Revenues	740,000	742,800	745,600	748,500	751,400
Expenditures:					
Paving	740,000	745,000	745,000	750,000	750,000
Total Expenditures	740,000	745,000	745,000	750,000	750,000
Revenues in Excess (Shortfall) of Expenditures	0	(2,200)	600	(1,500)	1,400
Operating Reserves-Beg	33,018	33,018	30,818	31,418	29,918
Operating Reserves-End	\$33,018	\$30,818	\$31,418	\$29,918	\$31,318

**Additional Five Cent Gas Tax Fund
FY 2019 Budgeted Expenditures**



1% Local Option Sales Tax

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

The City anticipates funding in the amount of \$17.2 million from January 1, 2015 through December 31, 2020 when the tax sunsets unless extended by the voters of the County. Projects incorporated in the six-year program for FY 2019 include:

- Punta Gorda Pathways Enhancements
- Baynard/Vasco Sidewalk Improvements
- US 41 Bridge Approach Lighting
- City-wide ADA Improvements
- Taylor Street Re-Brick
- Shreve Street Improvements and Trail Head
- Design of Airport Rd and Cooper St multi-use recreational trails
- Information Technology Infrastructure
- Fleet and Public Safety Equipment
- Project Management

The following projects will continue during FY 2019:

- Corto Andra/Boca Grande Stormwater Project
- Harborwalk West – Gilchrist Restrooms Project
- Sidewalk Improvements
- Ponce de Leon Park and Restroom re-design, to include the Peace River Wildlife Center and ADA Improvements

DEBT MANAGEMENT

As of September 30, 2017 the City had \$19.2 million in notes. The City is not subject to state debt limits, nor is there a limit set by the City Charter. The City's financial policies address appropriate uses and levels of debt. Detail of all current city debt can be found in Section 11 of the budget document.

The projected FY 2018 and FY 2019 combined budgets anticipates continued financing draws in the amount of \$13.7 million for the Reverse Osmosis water treatment plant project. Debt service associated with the above financing will be repaid with water user and impact fees. See Utilities fund for more details.

The projected FY 2018 budget also anticipates financing \$3.2 million for the City's share of 12.5% for repairing the failed seawalls that occurred as a result of Hurricane Irma in September 2017 in the Punta Gorda Isles and Burnt Store Isles Canal Maintenance Districts. A line of credit in the amount of \$24 million has been established to fund the repairs as the City awaits reimbursements from FEMA (75%) and the State (12.5%) to begin.

UNRESOLVED ISSUES

Most issues are resolved during the budget preparation and adoption process. However, there are usually several issues which will be worked out after the new fiscal year has begun and developments begin to unfold or new information becomes available. This budget is not unusual in that respect. We have several issues that are still in formative stages that will need resolution and some may need additional funding in FY 2019 or the years to come.

Additional Homestead Exemption – Amendment 1 is scheduled for the November 2018 ballot. It proposes an expanded \$25,000 homestead exemption that applies to the assessed value greater than \$100,000 and up to \$125,000 for non-school property taxes. If this amendment passes, the impact to the General Fund is an estimated reduction of Ad Valorem revenue of \$450,000 beginning in FY 2020.

Public Safety Bargaining Unit Contracts – The City is currently bargaining with the firefighters' union for a contract that would begin October 1, 2018. Bargaining with the police officers' union has not begun but their current contract expires September 30, 2018.

Staffing Requests – Staffing requests for the following positions were put on hold for future discussion due to current year budget constraints (general fund expenditures exceeding general fund revenues for operations), bargaining contract outcomes, possible reduced ad valorem revenues in future years, need for increasing reserves in future years, and other initiatives that are under discussion such as the City's Master Plan and building security enhancements. These positions are EMS training chief; dispatcher; (2) community engagement police officers; and computer support specialist.

Citywide Master Plan – Council has approved moving forward with request for qualifications (RFQ) for a City Master Plan. Once cost is determined, funds would be appropriated from the general fund until such time the special use fund could reimburse this one-time expenditure from the Fishermen's Village land sale.

Building Security Enhancements – Due to increasing safety concerns nationwide, building security enhancements are under discussion and not included in the FY 2019 budget.

Additional Harbor Access in Punta Gorda Isles (Bird Section Cut Through) – In April and May 2016, City Council approved contracts with Hans Wilson & Associates (engineering, design and permitting) and Nabors Giblin (assessment methodology for benefitted properties). The permitting process is well underway, and the City has already received a permit from the Florida Department of Environmental Protection. The Army Corps of Engineers has issued the City a draft permit, which is going through the review and signing process. City Council approved the methodology to be used to assess benefitted properties. A proposed land purchase agreement with the property owner where the desired route is located is under consideration and, once the agreement and final State permits are achieved, overall project costs will be refined. An assessment of benefitted properties will occur thereafter.

Ponce de Leon Park – City Council approved the selection of Herston Engineers in May 2016 to complete a redesign plan for the park at no charge to the City. The City is currently reviewing preliminary design plans, with construction anticipated to begin April 2019 in conjunction with the Peace River Wildlife Center relocation into the park environs.

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

Septic to Sewer Project - City Council approved a Sewer Master Plan in the Punta Gorda utility service area, for purposes of coordinating a county-wide effort to provide sewer system in areas now treated by septic systems. Jones Edward, a consulting firm also used by the County prepared the plan in conjunction with input from the County plan and City staff. It was presented to the City Utilities Advisory Board (UAB) on May 29, 2018 and to City Council on June 6, 2018. The City believes that reduction of pollution to the water quality in Charlotte Harbor, the Peace River and the Myakka River will require a regional effort to protect this crucial natural resource. The second phase of the project is to develop a financial plan establishing the scope, timeline, cost estimates and funding sources for the construction phase. Once completed, it will be taken back to UAB and City Council for review and direction. Any further appropriations will be reviewed in the FY 2020 budget process beginning with the long range financial plan in January 2019.

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

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

Finally, I would like to thank the City Council for giving me this opportunity to propose the City of Punta Gorda budget for fiscal year 2019.

Sincerely,

Howard Kunik

Howard Kunik
City Manager