

City of Punta Gorda



LONG RANGE FINANCIAL PLAN

Fiscal Years 2014-2018



In January 2008, the City published its first Business Plan which incorporated economic and financial strategies and key performance measures into a single document. In order to augment the financial strategy component of the Plan, a long-range financial plan was developed in January 2009 to assist management in the planning and allocation of resources to achieve the City Council's goal of maintaining fiscally responsible decision making within all sectors of the organization. The Plan provided the organization with an opportunity to change or influence current policies and practices before they created critical fiscal strains on the budgetary fabric. The Fiscal Years 2014-2018 Long Range Financial Plan presents multi-year fiscal forecasts for the City's major fund groups, initial budget measures to reduce projected deficits, and a comparison of the City's financial management policies in relation to national standards. The Plan is shown in the following format:

Section 1: Major Fund Five-Year Forecasts

Section 2: Options to Reduce Projected Budget Gaps

Section 3: Financial Management Policies & National Standards

Section 1: Major Fund Five-Year Forecasts

General Fund

The Plan forecasts that the current revenue base will not support the existing level of municipal services through 2018, although projected budget gaps are significantly lower than in previous years' forecasts. Annual deficits are now projected in the range of \$0.5 million to \$1.4 million from FY 2015 through FY 2018. The forecast assumes the same millage rate for general operations and street resurfacing through FY 2018. The revenue derived from the property tax base is projected to increase 2% in FY 2015 and each year thereafter. The forecast assumes a 3% wage increase in FY 2015 and specific benefit cost increases for pension, health insurance and workers compensation, thereby resulting in an overall 3.8% increase to personnel expenditures in FY 2015. For planning purposes, an assumed 3% bonus-type employee cost is added to FY 2016-2018, with no compounding effects, in addition to the employee-related expenditure assumptions results in minimal personnel-related increases for FY 2016-2018. Operating expenditures are forecasted for an overall increase 8.4%, including 10% for property/liability insurance and 17% for computer/info technology support in FY 2015, and an annual 3% increase for FY 2016-2018. Transfers are based on Infrastructure Sales Surtax (ISS) revenues, General Construction Fund approved five year capital project needs, and CRA tax incremental funding requirements. The Plan model is a "baseline" projection; that is, future revenues and expenditures are estimated based on the City's current sources of revenue and level of services.

General Fund Proforma Schedule of Revenues and Expenditures Budget FY 2014 through Proforma FY 2018

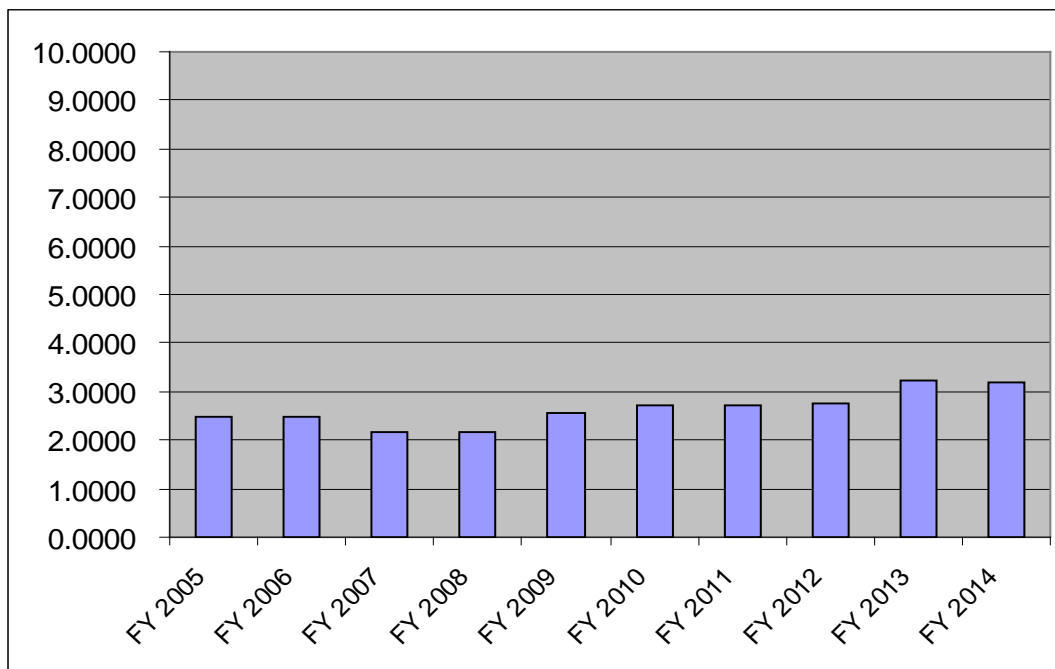
	Budget FY 2014	Proforma FY 2015	Proforma FY 2016	Proforma FY 2017	Proforma FY 2018
Change in Taxable Value of Property	1.7%	2%	2%	2%	2%
Revenues:					
Ad Valorem Taxes	\$7,087,000	\$7,228,740	\$7,373,315	\$7,520,781	\$7,671,197
Other Revenue	11,300,006	9,846,215	9,447,800	9,576,401	9,707,053
Use of Prior Year's Reserves	811,215	590,000			
Total Revenues	19,198,221	17,664,955	16,821,115	17,097,182	17,378,250
Expenditures:					
Personnel Expenditures	12,580,926	13,073,954	13,460,875	13,569,752	13,684,073
Operating Expenditures	3,614,721	3,654,988	3,762,186	3,873,826	3,989,211
Capital	461,325	269,000	223,000	196,000	208,000
Transfers to other Funds	2,171,249	784,871	578,875	565,983	593,197
Transfers for Roads	355,000	355,000	355,000	355,000	355,000
Contingency	15,000	15,000	15,000	15,000	15,000
Total General Expenditures	19,198,221	18,152,813	18,394,936	18,575,561	18,844,841
Expenditures in Excess of Revenue	\$0	(\$487,858)	(\$1,573,821)	(\$1,478,379)	(\$1,466,231)
5.5% Minimum Reserve	\$1,032,000	\$999,000	\$1,012,000	\$1,022,000	\$1,037,000
6%-7.5% Minimum Reserve		\$1,090,000	\$1,200,000	\$1,300,000	\$1,400,000

The adopted general fund reserve financial policy specifies a minimum of 5.5%, and increasing on an incremental basis (0.5% per year) as the economy allows with a goal of reaching the national standard 2 months of operating expenditures (16.7%). For FY 2015, the 2 months of operating expenditures would be equivalent to a reserve of \$2.8 million, while a 6% reserve equates to \$1.1 million.

Millage and Taxable Assessed Value

The FY 2014 millage rate of 3.1969 mills is the same as the rolled back rate of 3.1969. 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 \$355,000 earmarked for the road resurfacing program.

**Property Tax Millage Rates
Fiscal Years 2005 - 2014**

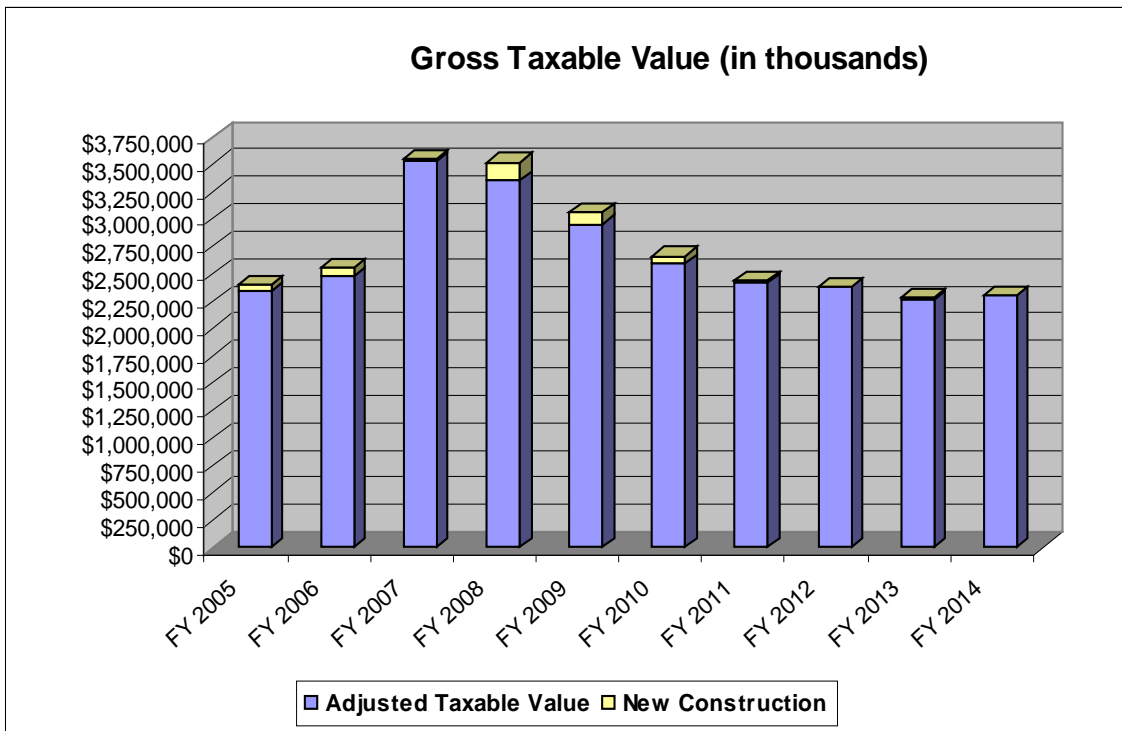


*A mill is equal to one dollar of tax for each \$1,000 of taxable value.
Florida Statutes caps the millage rate at 10 mills.*

History of Taxable Property Values

Fiscal Year	Final Gross Taxable Value*	\$ Change From Previous Year	% Change from Previous Year	New Construction
2008	\$3,496,182,626	-\$19,378,360	-0.6%	\$168,546,000
2009	\$3,062,265,808	-\$433,916,818	-12.4%	\$115,280,000
2010	\$2,646,132,752	-\$416,133,056	-13.6%	\$65,914,000
2011	\$2,447,711,910	-\$198,420,842	-7.5%	\$24,317,000
2012	\$2,367,768,124	-\$79,943,786	-3.3%	\$7,854,000
2013	\$2,270,096,296	-\$97,671,828	-4.1%	\$16,856,000
2014	\$2,309,178,922	\$39,082,626	1.7%	\$9,890,893

*Includes New Construction



After six straight years of property values declining in the City of Punta Gorda the current certification shows a 1.27% overall increase for properties on the books from the prior year, and an additional 0.5% for new construction, annexations and changes in exemption for calendar year 2012. 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 taxable value) has decreased from 3,763 parcels to 1,530. Review of taxable value data shows the following:

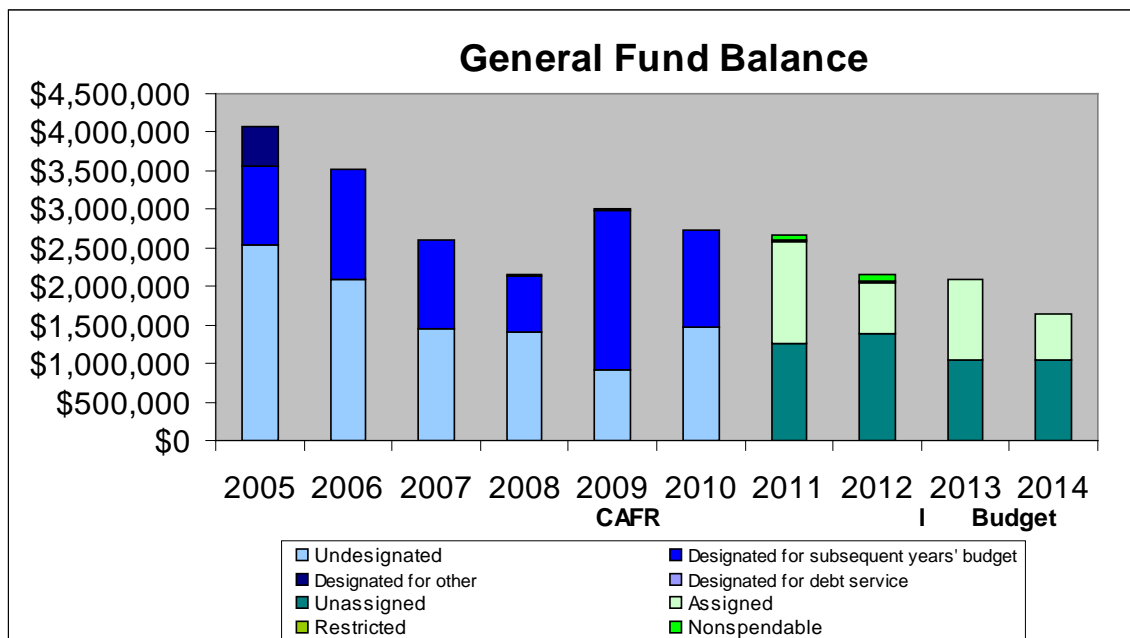
- 68% of total parcels in the City increased in taxable value, 25% decreased and 7% retained the same value. This year many of the parcels that increased in value are in the homestead residential category.
- Approximately 45% of parcels in the City are classified as homestead and of those, 27% are at parity (just value equals assessed value). Based on this data, one can surmise that over 67% of the parcels in the City are now at parity, since by definition all non-homestead properties are at parity.
- The Save Our Homes increase on non-parity homestead properties is 1.7%.
- Commercial properties experienced a decline in value, as shown by the decrease in value in the Community Redevelopment Area –down 1.6% versus the City as a whole up 1.7%.

General Fund Balance

On February 20, 2013, City Council adopted an amended comprehensive set of financial management policies. The following specifically address fund balance or reserve objectives:

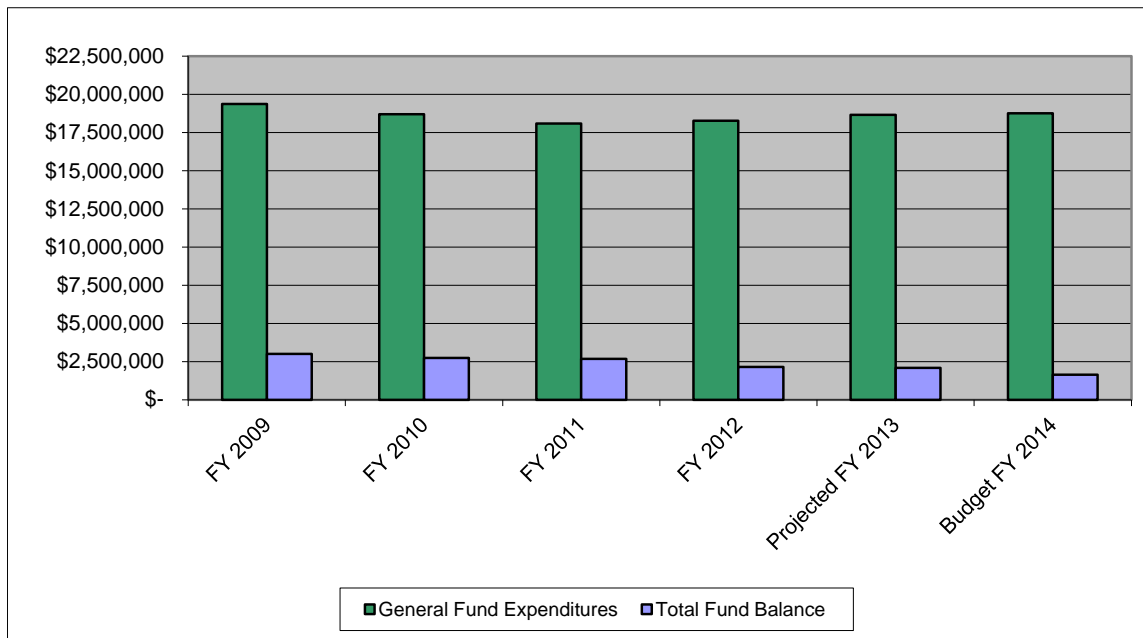
- An adequate level of unrestricted fund balance will be maintained so credit rating agencies will recognize the City is in sound financial condition when they evaluate the City's credit worthiness.
- The City will strive to follow the GFOA recommendation for a minimum level of unrestricted fund balance for the General Fund. The GFOA states the unrestricted fund balance for the General Fund should be a minimum of 2 months of operating expenditures.
- For the General Fund and all other operating funds, except the Utilities Fund, the City will establish an unassigned fund balance minimum of 5.5% of total fund expenditures.
- For the Utilities Fund, the City will maintain an unassigned fund balance minimum of 7.5% of total Utilities operations, maintenance & repair expenses.
- 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.
- An adequate level of unrestricted fund balance will be maintained as working capital to support operations until sufficient current revenues (taxes) are received.

During the past seven fiscal years (2007 through 2013), the City earmarked a portion of reserves over the minimum guideline to assist in paying for ongoing levels of service until such time as the economy rebounds. The FY 2014 adopted budget and FY 2015 proforma continue this practice.



The table below provides a summary of the reserved/designated and unreserved fund balance for actual FY 2009, FY 2010, FY 2011, FY 2012, projected FY 2013 and budgeted FY 2014. The new category titles, beginning in FY 2011, meet the Governmental Accounting Standards board (GASB) revised requirements.

	FY 2009		FY 2010		FY 2011		FY 2012		Projected FY 2013		Budget FY 2014	
	Amount	% of Exp.	Amount	% of Exp.	Amount	% of Exp.	Amount	% of Exp.	Amount	% of Exp.	Amount	% of Exp.
Fund Balance												
GASB 54 IMPLEMENTED FUND BALANCE CATEGORIES FY 2011												
Nonspendable					\$ 69,170		\$ 69,198		\$ -		\$ -	
Restricted					31,798		35,665					
Assigned					1,323,782	7%	650,152	4%	1,043,337	6%	590,000	3%
Unassigned					1,251,292	7%	1,390,377	8%	1,042,170	6%	1,042,170	6%
PRIOR TO GASB 54 FUND BALANCE CATEGORIES												
Reserved for Other	\$ 23,330		\$ 20,258									
Unreserved:												
Designated for:												
Reappropriations	277,517		284,521									
Subsequent years' budget	1,771,857	9%	967,000	5%								
Undesignated - funds	926,440	5%	1,468,130	8%								
Total Fund Balance	\$ 2,999,144	15%	\$ 2,739,909	15%	\$ 2,676,042	15%	\$ 2,145,392	12%	\$ 2,085,507	12%	\$ 1,632,170	9%
General Fund Expenditures	\$ 19,363,053		\$ 18,694,400		\$ 18,097,737		\$ 18,273,419		\$ 18,653,302		\$ 18,757,261	



The FY 2013 assigned reserves identify the use of \$453,337 to balance the FY 2014 budget and the use of \$357,878 for prior year purchase order carryovers, project reappropriations and current year adjustments (totaling \$811,215). It also identifies the use of \$590,000 towards closing the projected gap in the FY 2015 budget.

The unassigned reserves still remain above the 5.5% minimum reserve policy of \$993,000. It is the City's intent to continue to take steps each year to increase the reserve percentage. The actual ending reserve at September 30, 2013 is \$205,000 higher than projected. Alternatives for its use include increasing the reserve from 5.5% to 6%, using all or the balance to aid in reducing the FY 2015 gap, or assisting the City in reaching other strategic goals.

Water & Sewer Fund

The City operates its water and sewer system as an enterprise fund and funds the operations primarily through user fees. The utility service area encompasses approximately 38 square miles and extends beyond the corporate City limits. There are approximately 20,765 water ERUs (Equivalent Residential Units) and 15,540 sewer ERUs. Customers outside the corporate City limits pay a 25% surcharge, which is reduced to 10% for those customers who meet specific economic development criteria. Customers inside the corporate City limits pay a 10% water utilities tax.

The current five-year financial forecast is based on 2-day per week watering; average rainfall; no change in rates; user fee revenues flat from FY 2013 to FY 2014 and modest increases in ensuing years and debt service on the financing of \$28 million less an estimated 25% grant. Annual operating costs for R.O. plant are expected to approximate the costs of the surface plant so there is no additional change to operating costs reflected.

Groundwater Reverse Osmosis (R.O.) Project

In November of 2013 the City Council approved the R.O. Water Treatment Plant project and amended the five year capital improvement plan. The costs are in the preliminary estimating phase and, as such, are being used in this proforma as planning information. It is anticipated that the accelerated construction timetable, the estimated \$28 million project cost, the assumed 25% capital grant and the related debt service on 20 year financing will all have an impact on the Long Range Plan. Development of a timetable, grant application and discussions with the Southwest Florida Water Management District, State legislators and Peace River Manasota Regional Water Authority, and bid specifications for construction manager are in progress at this time.

The proforma below includes the debt service for the reverse osmosis plant and continuation of the Renewal & Replacement (R&R) reserve (see discussion under Utilities Fund Operating Reserve Policy.). There is a shortfall of \$1,078,000 beginning in FY 2016, based on the current assumptions for the R.O. project. A phased rate increase to offset projected shortfalls would approximate a two to three percent annual increase for the three years prior to opening the plant. Based on the current timeline, the first increase would be recommended for FY 2015. Revenues in the proforma do not include any rate increases.

Utilities OM&R Fund
Proforma Schedule of Revenues and Expenses
FY 2014 through Proforma FY 2018
(including Reverse Osmosis project considerations)

	Projected FY 2014	Proforma FY 2015	Proforma FY 2016	Proforma FY 2017	Proforma FY 2018
Water & Sewer growth change		1%	1%	1%	1%
Revenues:					
Chg for Service - Water	\$8,250,000	\$8,332,500	\$8,415,825	\$8,499,983	\$8,584,983
Chg for Service - Sewer	6,230,000	6,292,300	6,355,223	6,418,775	6,482,963
Other Revenue	394,870	495,907	516,919	547,959	599,027
R.O. Financing Revenue	5,000,000	5,000,000	6,600,000	4,400,000	
R.O. Grant Revenue		3,312,500	2,187,500	1,500,000	
Total Revenues	19,874,870	23,433,207	24,075,467	21,366,717	15,666,973
Expenses:					
Operations	11,331,827	11,709,823	12,061,160	12,297,747	12,542,771
Renewal & Replacement of Infrastructure	1,120,000	1,120,000	1,120,000	1,120,000	1,120,000
Transfer for Capital Improvement Projects	1,715,000	1,395,000	1,235,000	1,275,000	630,000
Existing Debt Service	783,111	643,414	623,529	10,573	
New Debt Service - Filtration	90,000	360,000	360,000	360,000	320,573
Construction Costs of R.O.	5,000,000	8,312,500	8,787,500	5,900,000	
New Debt Service – R.O.	88,000	535,000	967,000	1,391,000	1,565,000
Total Expenses	20,127,938	24,075,737	25,154,189	22,354,320	16,178,344
Shortfall	(253,068)	(642,530)	(1,078,722)	(987,603)	(511,371)
Reserves Used	253,068	642,530	341,469	209,990	394,665
Adjusted Shortfall	\$0	\$0	(\$737,253)	(\$777,613)	(\$116,706)
Operating Reserves-Beg	\$3,123,631	\$2,870,563	\$2,228,033	\$1,886,564	\$1,676,574
Operating Reserves-End	\$2,870,563	\$2,228,033	\$1,886,564	\$1,676,574	\$1,281,909

Utilities Fund Operating Reserve Policy

The Government Finance Officers Association’s (GFOA) best practices standard has been revised to maintain a minimum of 2 months (16.7%) of operating expenditures. It has been the City’s plan to achieve the GFOA best practice over time. The City’s adopted financial policy for its utilities operations requires a minimum of 7.5% of expense appropriations which would be \$1,805,680. It is recognized that this is not adequate for all risk exposure. The table below shows the comparison of current practice and GFOA recommended best practice. It is recommended that the GFOA best practice of an operating reserve of 2 months of operating expenses be adopted as the Utilities Operating Reserve policy while our reserve is at that level, rather than reducing it to cover debt on the R.O. project.

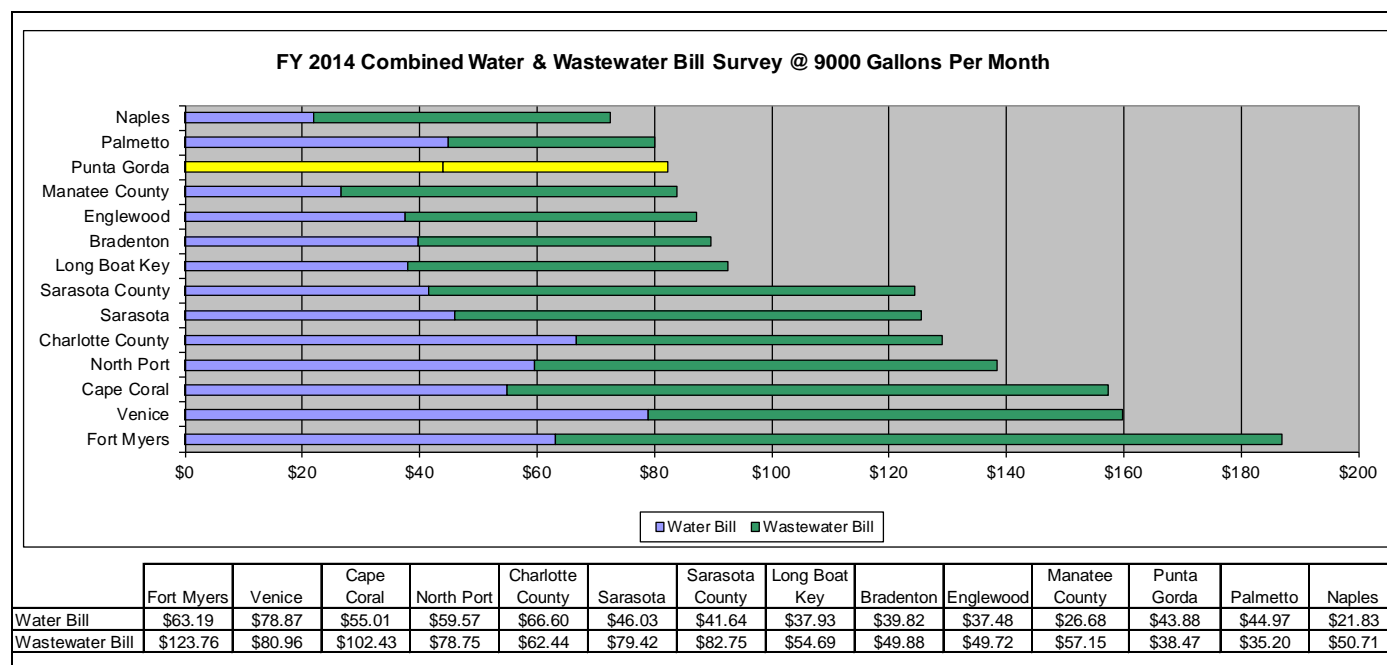
Operating Reserve Comparison	Budget FY 2014	Proforma FY 2015	Proforma FY 2016	Proforma FY 2017	Proforma FY 2018
Utilities OM&R Fund total expenses	15,288,105	24,075,737	25,154,189	22,354,320	16,178,344
City Financial Reserve Policy 7.5% of Appropriations (total expenses)	1,146,608	1,805,680	1,886,564	1,676,574	1,213,376
Utilities OM&R Fund operating expenses	11,309,994	11,709,823	12,061,160	12,297,747	12,542,771
GFOA Best Practice 2 Month Operations Reserve 16.7% of operating expenses	1,888,769	1,955,540	2,014,214	2,053,724	2,094,643
Current Operating Reserves -End	2,870,563	2,228,033	1,886,564	1,676,574	1,281,909

Utilities has \$100 million of infrastructure, which is 59% depreciated. For three years, the philosophy has been approved of annually cash funding \$1.1 million for recurring line and lift station renewals and replacements. It is recommended that this philosophy be formally adopted as a Utilities financial policy.

The City's most recent bond covenants required a renewal and replacement reserve for cost of replacement of capital assets and emergency repairs. The reserve currently has a balance of \$1.5 million. It is recommended that this reserve be adopted as part of the City's financial policies and remain in place, thus providing a safety net for unforeseen major line breaks and equipment failures. It is also anticipated that the financing of the \$28 million R.O. project may require both a renewal and replacement fund and a one-year debt service reserve.

The adoption of these three policies will strengthen the City's Utilities Fund financial position. While the policies were not in place in the past, the fund did carry significant reserves, which have been depleted and used to pay cash to fund capital. At this time, with the adopted R.O. project added to the financial plan, the additional reserves would demonstrate prudent financial planning and support efforts to secure the most attractive financing possible. Each 25 basis points (quarter of a percent) in interest cost translates into an approximate annual savings of \$52,000.

The City's utility rates are the 3rd lowest among the Southwest Florida utilities surveyed.

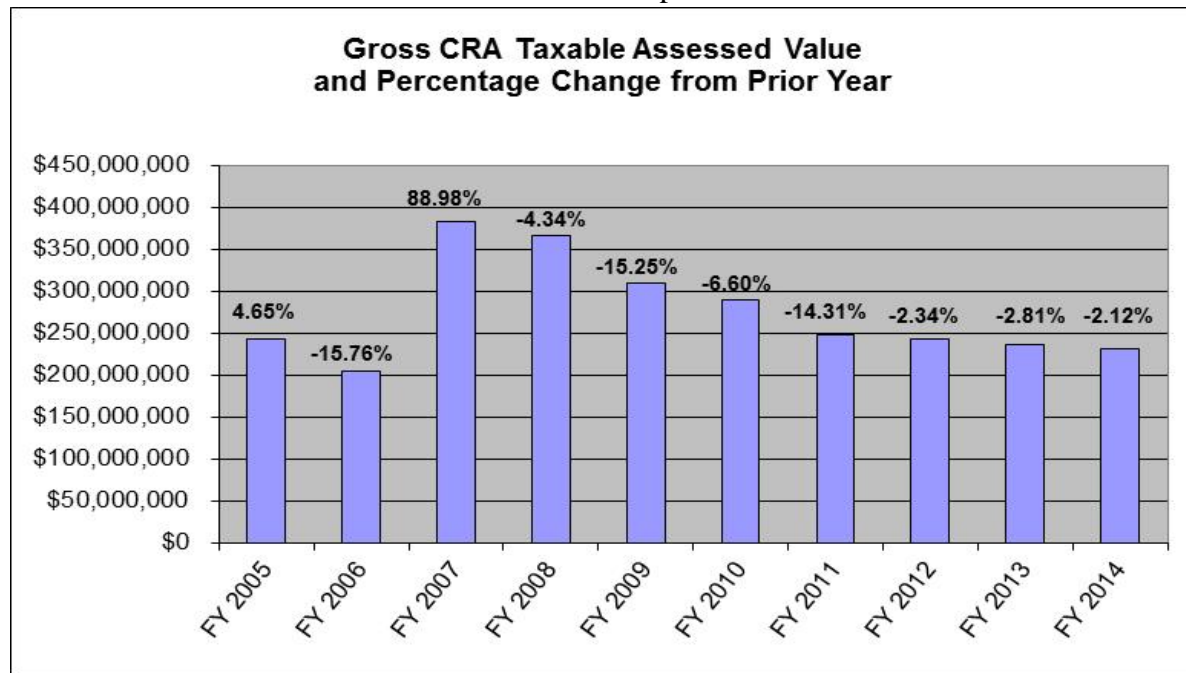


Community Redevelopment Agency Fund

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 concentrated on several expansive projects which stressed the importance of maintaining our public waterfront, alleviated parking issues and helped to re-establish the critical mass of structures and economic activity within the downtown area and adjacent neighborhoods. Our CRA has experienced dramatic fluctuations in taxable assessed value and City/County contributions over the past ten years. The tables below provide histories of taxable value and revenue generated from such property taxes since FY 2005.

Fiscal Year	Gross CRA			
	Taxable Assessed Value	City TIF Contribution	County TIF Contribution	Total TIF Contribution
FY 2005	\$243,631,799	\$383,733	\$739,041	\$1,122,774
FY 2006	\$205,246,835	\$293,400	\$636,131	\$929,531
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

Over 60% of the CRA tax base is commercial and professional uses.



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. While the assessed taxable value of the district continues to decline, it has slowed to a 2.1% reduction. The proforma anticipates one more year of a slight decline of .75%, then flat in FY 2016, and an increase of 1% and 2% respectively in FY 2017 and 2018. The resulting estimated debt service reserve of \$223,000 indicates that the restructured CRA debt can be managed even in this extended land value recession. The proforma for the district has been divided into three divisions to better identify 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 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. Due to the fact that infrastructure ages over time, the proforma identifies \$100,000 funding annually towards maintaining the premier destination attractions and services that were developed through the CRA.

**Community Redevelopment Agency
Proforma Schedule of Revenues and Expenditures
FY 2014 through Proforma FY 2018**

	Budget FY 2014	Proforma FY 2015	Proforma FY 2016	Proforma FY 2017	Proforma FY 2018
Debt Service Division					
Assessed Property Valuation change	-2.12%	-0.75%	0%	1%	2%
Tax Increment Financing (TIF) Revenue	\$1,360,548	\$1,350,274	\$1,350,274	\$1,363,777	\$1,391,052
CRA Lease Payments (Debt Service)	1,282,466	1,282,054	1,310,792	1,338,314	1,379,439
Revenues in Excess of Debt Svc	78,082	68,220	39,482	25,463	11,613
Reserve - TIF for Debt Svc (Beg)	0	78,082	146,302	185,784	211,247
Reserve - TIF for Debt Svc (End)	\$78,082	\$146,302	\$185,784	\$211,247	\$222,860
Herald Court Operations Division					
Herald Court Revenues	\$199,313	\$215,728	\$230,847	\$239,584	\$242,060
Herald Court Operating Expenditures	164,373	162,209	168,538	174,000	179,366
Revenues in Excess of Herald Ct					
Operations	34,940	53,519	62,309	65,584	62,694
Reserve - Herald Ct (Beg)	5,051	39,991	93,510	155,819	221,403
Reserve - Herald Ct (End)	\$39,991	\$93,510	\$155,819	\$221,403	\$284,097
CRA Operations Division					
Other CRA Revenues	\$97,668	\$110,433	\$112,188	\$113,103	\$113,238
Other CRA Operating Expenditures	292,500	71,255	73,063	74,925	76,842
CRA R & R Expenditures		100,000	100,000	100,000	100,000
Revenues in Excess (Shortfall) of Other					
Operations	(194,832)	(60,822)	(60,875)	(61,822)	(63,604)
Reserve - Other Operations (Beg)	1,468,828	1,273,996	1,313,174	1,352,299	1,390,477
Reserve - Other Operations (End)	\$1,273,996	\$1,213,174	\$1,152,299	\$1,090,477	\$1,026,873

Sanitation Fund

The City operates its sanitation services as an enterprise fund and collects refuse two days per week and horticulture one day per week for approximately 10,400 residential accounts and 650 commercial accounts. A 2-bin curbside recycling program has been implemented for all residential units, collected one day per week. The annual rate of \$19.20 per month or \$230.40 per year for the residential customer has been maintained for several years. The forecast reflects a 10-year fleet replacement program.

Sanitation Fund Proforma Schedule of Revenues and Expenses FY 2014 through Proforma FY 2018

	Budget FY 2014	Proforma FY 2015	Proforma FY 2016	Proforma FY 2017	Proforma FY 2018
Single, Multifamily, Yardwaste, Recycling growth rate		1%	1%	1%	1%
Revenues:					
Chg for Serv - Refuse Collection	\$2,920,870	\$2,944,457	\$2,968,282	\$2,992,345	\$3,016,649
Other Revenue	28,100	28,100	28,100	28,100	28,100
Capital Lease/Purchase			484,000		
Total Revenues	2,948,970	2,972,557	3,480,382	3,020,445	3,044,749
Expenses:					
Operations	2,763,592	2,857,322	2,942,855	3,008,598	3,076,636
Capital	517,155		968,000		
Debt Service			52,071	104,142	104,142
Total Expenses	3,280,747	2,857,321	3,962,926	3,112,740	3,180,778
Revenues in Excess (Shortfall) of Expenses	(331,777)	115,235	(482,544)	(92,295)	(136,029)
Operating Reserves-Beg	1,116,703	784,926	900,161	417,617	325,322
Operating Reserves-End	\$784,926	\$900,161	\$417,617	\$325,322	\$189,293

To compare the City's rates with surrounding jurisdictions, a survey was undertaken during June 2013.

Sanitation Rate Comparison with Neighboring Communities FY 2013 and FY 2014

<u>Jurisdiction</u>	<u>FY 2013 Cost/Year</u>	<u>FY 2014 Cost/Year</u>	<u>Frequency of Service per week</u>	<u>Outsourced</u>
Charlotte County	\$148.04	\$148.04	1	yes
Sarasota County	\$159.48	\$159.48	1	yes
Manatee County	\$163.36	\$163.36	2	yes
Collier	\$167.67	\$167.67	2	yes
Cape Coral	\$162.36	\$195.57	1	yes
Venice	\$202.08	\$202.08	2	no
Fort Myers	\$220.37	\$228.96	1	no
Punta Gorda	\$230.40	\$230.40	2	no
Naples	\$248.10	\$248.10	2	no
North Port	\$267.00	\$267.00	1	no

All of the above rates include once per week service for yard waste and recycling.

Building Fund

Building services are 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 permit fees to pay for services provided. During the past five years, staffing has been reduced from 13 positions in FY 2006 to 5 in FY 2013. This reduction was due to a decline in permit applications, inspections and stagnant growth trends.

The FY 2014 budget assumes continued growth in permit revenues and the necessity of continued full time work schedules for the building employees. The five year proforma projects permit revenues increasing between 5-8% and maintaining the same staffing level of operations. There are excess revenues available for the point in time when additional inspectors and permit clerks will need to be added to provide adequate services. The City will continue to monitor activity and adjust as necessary.

Building Fund Proforma Schedule of Revenues and Expenses FY 2014 through Proforma FY 2018

	Budget FY 2014	Proforma FY 2015	Proforma FY 2016	Proforma FY 2017	Proforma FY 2018
Revenues:					
Permits, Fees & Special Assessments	\$633,000	\$660,000	\$689,000	\$719,000	\$751,000
Other Revenue	17,000	17,000	17,000	17,000	17,000
Total Revenues	650,000	677,000	706,000	736,000	768,000
Expenses:					
Operations	571,696	596,033	614,084	621,698	629,609
Total Expenses	571,696	596,033	614,084	621,698	629,609
Revenues in Excess (Shortfall) of Expenses	78,304	80,967	91,916	114,302	138,391
Operating Reserves-Beg	573,019	651,323	732,290	824,206	938,508
Operating Reserves-End	\$651,323	\$732,290	\$824,206	\$938,508	\$1,076,899

Laishley Park Municipal Marina Fund

Opening in April 2007, Laishley Park is operated as an enterprise fund to include the marina and park amenities. The City outsourced management of the marina and ship's store to Marina Park LLC, however retained the authority to set boat slip, community room 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. Staffing coverage is provided seven days a week, 365 days per year.

The FY 2014 budget maintains the 2007 adopted marina fee schedule and 2011 East Mooring Field fee schedule. The City received approval regarding its application to the State Department of Environmental Protection for amendments to its submerged land lease that will increase rental opportunities during events and for commercial enterprises. In addition, a survey of regional marina rates was completed which showed the City's rates to be competitive.

Laishley Park Marina Fund Proforma Schedule of Revenues and Expenses FY 2014 through Proforma FY 2018

	Budget FY 2014	Proforma FY 2015	Proforma FY 2016	Proforma FY 2017	Proforma FY 2018
Revenues:					
Slip & Mooring Rentals, Pump Out Svcs	\$259,100	\$261,000	\$263,000	\$266,000	\$267,000
Intergovernmental Revenue	45,693	25,693	25,693	25,693	25,693
Other Revenue	22,450	25,750	26,250	26,750	27,250
Total Revenues	327,243	312,443	314,943	318,443	319,943
Expenses:					
Laishley Park Marina Expenses	145,323	146,050	150,105	154,279	158,575
Marina Park Contract Expenses	165,574	172,422	176,901	181,515	186,267
Total Expenses	310,897	318,472	327,006	335,794	344,841
Revenues in Excess (Shortfall) of Expenses	16,346	(6,029)	(12,063)	(17,351)	(24,898)
Operating Reserves-Beg	36,017	52,363	46,334	34,271	16,920
Operating Reserves-End	\$52,363	\$46,334	\$34,271	\$16,920	(\$7,978)

Canal Maintenance Districts Funds

Punta Gorda Isles Canal Maintenance District

The budget for the Punta Gorda Isles (PGI) canal maintenance assessment district reflects continuance of an annual assessment of \$500. The five year proforma maintains the \$500 assessment and the current reserve level.

**PGI Canal Maintenance Fund
Proforma Schedule of Revenues and Expenditures
FY 2014 through Proforma FY 2018**

	Budget FY 2014	Proforma FY 2015	Proforma FY 2016	Proforma FY 2017	Proforma FY 2018
Rate	\$500	\$500	\$500	\$500	\$500
Revenues:					
Operating Assessment	\$2,612,000	\$2,612,000	\$2,612,000	\$2,612,000	\$2,612,000
Other Revenue	16,000	16,000	16,000	16,000	16,000
Total Revenues	2,628,000	2,628,000	2,628,000	2,628,000	2,628,000
Expenditures:					
Operations	765,763	792,000	816,900	829,900	843,900
Inlet Dredging	40,000	40,000	40,000	40,000	40,000
Seawalls, Caps and Stabilization	1,864,500	1,796,000	1,771,100	1,758,100	1,744,100
Capital	32,000				
Total Expenditures	2,702,263	2,628,000	2,628,000	2,628,000	2,628,000
Revenues in Excess (Shortfall) of Expenditures	(74,263)	0	0	0	0
Operating Reserves-Beg	386,978	312,715	312,715	312,715	312,715
Operating Reserves-End	\$312,715	\$312,715	\$312,715	\$312,715	\$312,715

Over the past three years, staff initiated a comprehensive inspection of seawalls and seawall caps. Results from the newest seawall review are as follows:

Ratings of PGI Cap and Seawall Conditions

Seawall Cap:

Good condition: 455,794 ft. = 86.3 miles = 94.9%
 Needs repair: 2,800 ft. = 0.6 miles = 0.6%
 Needs replacement: 13,644 ft. = 2.6 miles = 2.8%
 Unable to assess: 7,987 ft. = 1.5 miles = 1.7%

Seawall:

Good condition: 391,118 ft. = 74.1 miles = 81.4%
 Needs monitored: 78,627 ft. = 14.9 miles = 16.4%
 Needs replacement: 1,954 ft. = 0.4 miles = 0.4%
 Unable to assess: 8,526 ft. = 1.6 miles = 1.8%

Burnt Store Isles Canal Maintenance District

The budget for the Burnt Store Isles (BSI) canal maintenance assessment district reflects continuance of an annual assessment of \$400. FY 2014 and FY 2015 schedules funding for the removal of the boat lock hinge pilings in order to allow passage of wider boats. The BSI Canal Advisory Board is in the midst of a citizen participation process to determine whether this is the best use of the funds. The five year proforma maintains the \$400 assessment and current levels of operations through the planned use of reserves.

BSI Canal Maintenance Fund Proforma Schedule of Revenues and Expenditures FY 2014 through Proforma FY 2018

	Budget FY 2014	Proforma FY 2015	Proforma FY 2016	Proforma FY 2017	Proforma FY 2018
Rate	\$400	\$400	\$400	\$400	\$400
Revenues:					
Operating Assessment	\$414,800	\$414,800	\$414,800	\$414,800	\$414,800
Other Revenue	500	500	500	500	500
Total Revenues	415,300	415,300	415,300	415,300	415,300
Expenditures:					
Operations	71,242	72,098	72,758	73,516	74,371
Inlet Dredging	33,000	20,000	20,000	20,000	20,000
Seawalls, Caps and Stabilization	327,400	327,400	327,400	327,400	327,400
BSI Boat Lock Piling Removal	50,000	50,000			
Total Expenditures	481,642	469,498	420,158	420,916	421,771
Revenues in Excess (Shortfall) of Expenditures	(66,342)	(54,198)	(4,858)	(5,616)	(6,471)
Operating Reserves-Beg	168,571	102,229	48,031	43,173	37,557
Operating Reserves-End	\$102,229	\$48,031	\$43,173	\$37,557	\$31,086

Over the past three years, staff initiated a comprehensive inspection of seawalls and seawall caps. Results from the newest seawall review are as follows:

Ratings of BSI Cap and Seawall Conditions

Seawall Cap:

Good condition: 93,949 ft. = 17.7 miles = 98.8%
 Needs repair: 252 ft. = 0.1 miles = 0.3%
 Needs replacement: 593 ft. = 0.1 miles = 0.6%
 Unable to assess: 248 ft. = 0.1 miles = 0.3%

Seawall:

Good condition: 84,945 ft. = 16.0 miles = 89.3%
 Needs monitored: 9,511 ft. = 1.8 miles = 10.0%
 Needs replacement: 338 ft. = 0.1 miles = 0.4%
 Unable to assess: 248 ft. = 0.1 miles = 0.3%

Gas Tax Funds

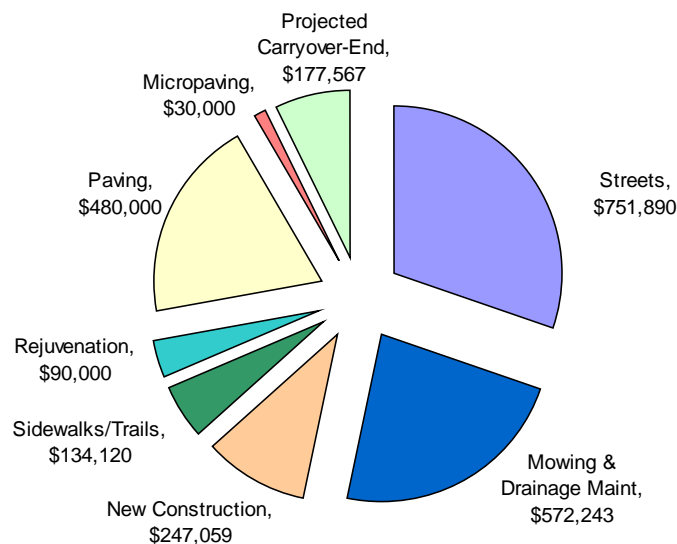
The City has established local option fuel taxes in two parts – the first six cents is used for such transportation expenditures as street sweeping, street lights, traffic lights, bridge maintenance, railroad crossings and sidewalk repairs. The second five cents is used for road paving (rejuvenation 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 has been reduced from 11.14% to 10.40% 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. A history of revenue received since FY 2005 is displayed below.

Fiscal Year	6 Cents	5 Cents	Total
2005	\$ 592,346	\$ 355,608	\$ 947,954
2006	\$ 606,122	\$ 363,786	\$ 969,908
2007	\$ 580,185	\$ 350,341	\$ 930,526
2008	\$ 561,707	\$ 269,443	\$ 831,150
2009	\$ 559,547	\$ 243,311	\$ 802,858
2010	\$ 567,590	\$ 241,762	\$ 809,352
2011	\$ 507,120	\$ 234,770	\$ 741,890
2012	\$ 531,479	\$ 248,444	\$ 779,923
2013	\$ 528,000	\$ 242,000	\$ 770,000
2014	\$ 532,000	\$ 245,000	\$ 777,000

The effect of elasticity of gas consumption (the tax is charged on gallons not dollars) in the recent years of increased gas prices has resulted in a decline of revenue.

The following graph depicts the cost of services related to all Right of Way activities.



* This graph combines Gas Tax Funds and General Fund Right of Way Division

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

**Six Cent Gas Tax Fund
Proforma Schedule of Revenues and Expenditures
FY 2014 through Proforma FY 2018**

	Budget FY 2014	Proforma FY 2015	Proforma FY 2016	Proforma FY 2017	Proforma FY 2018
Revenues:					
Local Option Gas Tax	\$532,000	\$542,640	\$553,493	\$564,563	\$575,854
Other Revenue	169,637	170,084	171,284	172,502	176,113
Total Revenues	701,637	712,724	724,777	737,065	751,967
Expenditures:					
Operating Expenditures	776,885	742,452	761,575	781,270	801,561
Total Expenditures	776,885	742,452	761,575	781,270	801,561
Revenues in Excess (Shortfall) of Expenditures	(75,248)	(29,728)	(36,798)	(44,205)	(49,594)
Operating Reserves-Beg	220,998	145,750	116,022	79,224	59,117
Operating Reserves-End	\$145,750	\$116,022	\$79,224	\$35,019	(\$14,575)

The Additional Five Cent Gas Tax Fund five year proforma projects a flat tax revenue, which does not fully support the \$600,000 annual paving program identified in the 10 year plan. Council addressed the importance of maintaining the City's road infrastructure with a policy of transferring additional ad valorem millage revenue of \$355,000 as an ongoing subsidy.

**Additional Five Cent Gas Tax Fund
Proforma Schedule of Revenues and Expenditures
FY 2014 through Proforma FY 2018**

	Budget FY 2014	Proforma FY 2015	Proforma FY 2016	Proforma FY 2017	Proforma FY 2018
Revenues:					
Local Option Gas Tax	\$245,000	\$245,000	\$245,000	\$245,000	\$245,000
Transfer from General Fund Ad Valorem	355,000	355,000	355,000	355,000	355,000
Total Revenues	600,000	600,000	600,000	600,000	600,000
Expenditures:					
Paving	724,122	600,000	600,000	600,000	600,000
Total Expenditures	724,122	600,000	600,000	600,000	600,000
Revenues in Excess (Shortfall) of Expenditures	(124,122)	0	0	0	0
Operating Reserves-Beg	133,483	9,361	9,361	9,361	9,361
Operating Reserves-End	\$9,361	\$9,361	\$9,361	\$9,361	\$9,361

Section 2: Options to Reduce Projected General Fund Budget Gap

The FY 2014-2018 Long Range Financial Plan projects budgetary gaps primarily in the General and Utilities Funds; albeit smaller gaps than in previous forecasts. Staff proposes several initiatives that begin to mitigate these gaps, with more to follow in ensuing budget workshops throughout the remainder of FY 2014.

Organization Restructuring & Wage Adjustment

Business principles call for evaluation of an organization's administrative structure in an effort to flatten hierarchy, readjust span of control, realize savings and maintain efficiency and communication. Initiated as part of the 2008 Business Plan, the City has taken a macro view of all levels of positions as part of the past seven years' budget preparation and implemented a myriad of changes which resulted in position eliminations and a flattened hierarchy. One of the key human resources related outcome measures in the Business Plan is the ratio of full time employees to City population. During the period 2007-2014, the City reduced employee counts by 50 full time equivalent positions, representing a 16% overall decrease. The following chart highlights this trend.

Fiscal Year	Population Estimates	Employees	Ratio Employees/ Per 100/Population
2014 Revised	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
1999	13,646	277	2.0

The Plan now recommends an additional staff realignment – elimination of the Growth Management Department and Director position as of January 5, 2014, and designation of Urban Design as a division of the City Manager's Office. The Urban Design Division will consist of planning, zoning, code compliance and building. The proposed restructuring reduces the projected general fund budget gap by **\$125,000**.

During the timeframe of position reductions, wage adjustments for the City's workforce (general employees, police & fire) have been minimized.

Fiscal Year	General	Police	Fire
2014	0%	0%	0% **
2013	One time lump sum merit payment between \$1,000-1,580	One time lump sum merit payment between \$1,000-1,580	One time lump sum merit payment between \$1,000-1,580*
2012	0%*	0%	3% education incentive
2011	0%	0%	3% education incentive
2010	0%	0%	0%
2009	3% merit*	3% merit	3% education incentive
2008	2.3% merit*	4% plus 2% merit	3% education incentive plus 3% merit

**Employee received one-time wage adjustment (added to base or as lump sum) equal to increase in health insurance or pension plan contribution, thereby resulting in no increase in take home pay*

***Employee received 0.5% one-time lump sum payment coupled with increase in pension contribution to 9%; thereby resulting in decrease in take home pay*

The fiscal forecast includes a projected 3% merit-based employee wage adjustment in FY 2015. Consideration of a 3% lump sum payment based on merit, not added to the employee's base pay, would not reduce the FY 2015 budget gap, but would avoid adversely impacting future years' budgets. In contrast, base wages for general and police employees have been stagnant for four years and may begin to trail market conditions unless the planned wage adjustment is implemented in FY 2015.

Operating Expense Containment

The FY 2015 proforma projects an overall 8.4% increase in general fund operating expenditures. Preparation of remaining departmental operating line items at the same level as FY 2014 will reduce the projected budget gap by \$70,000. Applying the same strategy to the Utilities Fund for FY 2015 will reduce operating costs by \$124,000.

Capital Outlay Postponement

\$42,000 for replacement mowers for the Public Works Divisions of Rights of Way and Parks & Grounds can be delayed based on changes in operations and updated information from one year ago. Adding \$2,000 to the repair & maintenance account leaves a \$40,000 reduction that can be applied toward reducing the projected budget gap.

Information Technology Capital

Capital needs identified in the Information Technology five year strategic plan for FY 2015 have not been reflected in the Long Range Plan. It is yet to be determined whether projects will be financed, delayed or use alternative funding.

Section 3: Financial Management Policies & National Standards

On April 19, 2006, City Council adopted a comprehensive set of financial management policies in the areas of financial planning, revenues and expenditures. These policies were (and continue to be) based on recommended, best management practices established by the Government Finance Officers Association (GFOA). Periodically, the City conducts a review of such policies and recommends adjustments where applicable. The most recent update was February 2013.

In addition to the current adopted policies, it is recommended that two new policies be added and one policy be updated.

New Policy: The Utilities Operations, Maintenance & Replacement (O, M & R) Fund will cash fund \$1,120,000 annually for recurring line and lift station renewal and replacements as identified in the five year capital improvement plan.

New Policy: The Utilities O, M & R Fund will maintain a renewal and replacement reserve of \$1,500,000 for unforeseen major line breaks and equipment failures.

Updated Policy: For the Utilities O, M & R Fund the City will establish an unassigned fund balance minimum of 16.7% of operating expenses.

Updated Policy: For the General Fund and all other operating funds, except the Utilities Fund, the City will establish an unassigned fund balance minimum of 6% of total fund expenditures.

Financial Planning Policies

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

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

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

Revenue Policies

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

Expenditure Policies

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

There has been reduced replacement of vehicles and large equipment and increased expenditures for repairs and maintenance. Staff recognizes that this balancing measure must be mitigated for reasonableness and is working on a policy during the upcoming budget process regarding asset replacement.

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

Financial Planning Policies

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

Balanced Budget:

Policy: The City will adopt a balanced operating budget and will provide for disclosure when a deviation from a balanced operating budget is planned or when it occurs. The City's definition of a balanced budget is current revenues, including financing proceeds plus unrestricted fund balance, exceeds or equals current year appropriations.

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

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

Status: *The City's budget calendar adheres to the State TRIM law, and the City has received certification of such from the State.*

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

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

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

- Status:* The annual budget document includes all funds.
- Policy:* The City will budget at least 95 percent of the anticipated gross ad valorem proceeds which provide a discount for early tax payments. Florida Statutes, section 200.065, states each taxing authority will not utilize less than 95 percent of the taxable value.
- Status:* The FY 2014 budget reflects 96 percent of anticipated ad valorem revenue, in order to account for discounts and delinquent property owners.
- Policy:* The City will maintain a budgetary control system, including an encumbrance system to ensure adherence to the budgeted appropriations.
- Status:* The City uses an encumbrance system as required by the Code of Ordinances.
- Policy:* Project length budgets are adopted for the Capital Improvement Projects. Appropriations for these projects will remain open and carry over to succeeding years until they are completed.
- Status:* Capital improvements budgets for general construction, community redevelopment area, community development block grant, sanitation and utilities remain open until complete or canceled.
- Policy:* Supplemental appropriations. If during the fiscal year the City Manager certifies that there are available for appropriation revenues in excess of those estimated in the budget, the City Council by resolution may make supplemental appropriations for the year up to the amount of such excess.
- Status:* Grant awards and capital outlay from increased Infrastructure Sales Surtax were supplemental appropriations that were made during the FY 2013 period.
- Policy:* Emergency appropriations. To meet a public emergency affecting life, health, property or the public peace, the City Council may by resolution make emergency appropriations. To the extent that there are no available unappropriated revenues to meet such appropriations, the City Council may by such resolution authorize the issuance of emergency notes which may be renewed from time to time, but the emergency notes and renewals of any fiscal year shall be paid not later than the last day of the fiscal year next succeeding that in which the emergency appropriation was made.
- Status:* There were no emergency appropriations necessary for the FY 2013 period. The City has not been required to implement emergency appropriations in more than 20 years due to revenue shortfalls.

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

Status: *There was no need for a reduction of appropriations during FY 2013. There has not been such a need in over 20 years.*

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

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

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

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

Long Range Planning:

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

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

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

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

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

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

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

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

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

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

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

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

Asset Inventory:

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

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

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

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

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

Status: The City has and will continue to work with the County on any joint capital improvement needs. The most recent joint capital improvement project was Aquí Esta road improvements.

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

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

Policy: Capital projects will be budgeted in the General Construction Fund or the Utility Construction Fund as needed. CRA capital projects will be budgeted in the CRA budget. CDBG capital projects will be budgeted in the CDBG Fund.

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

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

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

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

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

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

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

Revenue Policies:

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

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

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

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

Status: *The FY 2014 revenue structure (all funds) is as follows:*

<i>Service Charges, Fines & Forfeitures</i>	<i>29%</i>
<i>Intergovernmental</i>	<i>7%</i>
<i>Ad Valorem Taxes</i>	<i>11%</i>
<i>Permits, Fees & Assessments</i>	<i>8%</i>
<i>Other Taxes</i>	<i>6%</i>
<i>Miscellaneous</i>	<i>5%</i>
<i>Carryover, Financing & Transfers</i>	<i>34%</i>

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

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

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

Policy: The City discourages the use of one time revenues to fund ongoing expenditures.

Status: *One time revenues such as sale of property, equipment and/or capital grants are used to finance capital projects and/or purchase of equipment. FY 2013 supplemental appropriations included use of Damage Recovery Fund reserves for a one-time bonus to employees. Also capital grants for a Laishley Park Marina pumpout boat were accepted for reimbursement during FY 2013 and FY 2014.*

Policy: Grants should be actively pursued. All costs of grant requirements will be analyzed and presented with the proposal for City Council consideration. Revenues will be budgeted for current grants. The budget will be amended for new grants upon award.

Status: *Grants are pursued by all of the City's departments. The City has received and/or been awarded \$2.2 million (FY 2013) and \$0.1 million (FY 2014) in grant monies to fund such projects as flooding mitigation, recreational trails, streetscape, building upgrades, boating-related facilities, and police equipment. The five year Capital Improvement Program identifies several pending capital grants.*

Policy: Sometimes governmental services are provided on credit. Properly documented controls over revenues are imperative in accounts receivable management. Timely efforts should be made to pursue the collection of delinquent accounts by the department generating the receivable.

Status: *The City has implemented a variety of measures to collect monies owed, including lien powers, debt collection agency, code enforcement and utility turn off.*

Policy: Adjustments to account receivables must be properly documented using internal controls that include segregation of duties and supervisory review. Upon any suspicion of fraud, management should be notified in a timely manner.

Status: *Internal controls over accounts receivable are in place. Suspicion of fraud or other malfeasance are brought to management and if necessary Police Department's attention, although these actions have not been necessary.*

Policy: The use of revenues which have been pledged to bondholders will conform to the bond covenants which commit those revenues.

Status: *The City is currently in conformance with bond covenants. The City's independent auditors review bond covenant conformance on an annual basis and report any discrepancies, of which there have not been any instances of such non-conformance.*

Policy: The City will recalculate the full cost of activities supported by user fees to identify the impact of inflation and other cost increases and will revise user fees upon approval of the City Council.

Status: *Fee changes are initiated through the ordinance process and, as such, are reviewed and approved by City Council through public hearings. User fees in the City's enterprise funds are established to pay for ongoing operations and adjusted accordingly.*

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

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

Expenditure Policies:

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

Debt Management:

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

Status: The City maintains a five year capital improvements program that prioritizes investment in its infrastructure necessary to support growth and economic development. The City's water & wastewater plants have sufficient capacity to support projected growth beyond 2016, and the road network and parks facilities sufficiently accommodate demand. At the request of citizens, City Council is pursuing the feasibility of improving water quality through a Reverse Osmosis project.

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

Status: As part of the 2011 Long Range Financial Plan, the City undertook a comprehensive review of its economic condition and outlook, financial position and performance, debt profile and management in relation to credit rating agency criteria. The City's Utility System Refunding Revenue Bonds, Series 2002, have underlying ratings of A1 from Moody's and AA- with a stable outlook from Standard & Poor's.

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

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

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

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

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

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

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

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

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

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

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

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

Reserve or Stabilization Accounts:

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

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

Policy: The City will strive to follow the Government Finance Officers Association (GFOA) recommendation for a minimum level of unrestricted fund balance for the following major operation funds: General Fund, Utilities OM&R Fund, Sanitation Fund, Building Fund, and Marina Fund. The GFOA states the unrestricted fund balance for the General Fund should be a minimum of 2 months of operating expenditures.

Status: Based on GFOA recommended best practice, the City's unrestricted fund balance in the General Fund should be 16.7% of operating expenditures. The September 30, 2014 unrestricted fund balance is projected at \$1.6 million, which is 9% of budgeted general fund operating expenditures. Of this balance \$0.6 million was assigned to be used in balancing the FY 2015 operating budget.

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

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

Policy: The City should have a prudent level of unrestricted fund balance to protect against the need to reduce service levels or raise taxes and fees due to temporary revenue shortfalls or unexpected one time expenditures.

Status:

	FY 2014 Budgeted Expenditures	9/30/14 Budgeted Unrestricted Fund Balance	% of Unrestricted Fund Balance to Expenditures
General Fund	18,757,261	1,632,170	9%
PGI Canal Maint Fund	2,628,000	310,169	12%
BSI Canal Maint Fund	481,642	102,120	21%
Park Impact Fees Fund	35,000	52,040	149%
Transportation Impact Fees Fund	30,000	0	0%
CRA Fund	1,715,839	1,406,549	82%
Damage Recovery Fund	0	534,566	
Add'l Five Cent Gas Tax Fund	600,000	7,719	1%
Six Cent Gas Tax Fund	723,885	169,848	23%
Utilities OM&R Fund	15,288,105	2,409,291	16%
Water System Capacity Escrow Fund	200,000	189,169	95%
Sewer System Capacity Escrow Fund	160,573	236,696	147%
Sanitation Fund	3,247,037	743,278	23%
Building Code Fund	571,546	406,826	71%
Laishley Park Marina Fund	293,954	274	0%

Generally, the unrestricted fund balance is limited to use within its own fund and/or for specific types of expenditures. The collective reserve level is sufficient to cover for any temporary revenue shortfalls or unexpected expenses. Of the \$1.6 million General Fund unrestricted fund balance, \$0.6 million is assigned to reducing the FY 2015 projected shortfall.

Policy: An adequate level of unrestricted fund balance will be maintained so credit rating agencies will recognize the City is in sound financial condition when they evaluate the City's credit worthiness.

Status: As noted previously, the collective reserve level is adequate to support the City's sound financial condition.

Policy: For the General Fund, and all other operating funds, except the Utilities Fund, the City will establish an unassigned fund balance minimum of 5.5% of total fund expenditures.

Status: *Projected for the fiscal year ended September 30, 2014, the City's operating funds, except the Utilities Funds, meets the established unassigned fund balance minimum. The General Fund unassigned balance is 5.6% of total general fund expenditures.*

Policy: For the Utilities Fund, the City will maintain an unassigned fund balance minimum of 7.5% of total Utilities O, M & R Fund expenses.

Status: *Projected for the fiscal year ended September 30, 2014, the City's unassigned balance is 15.8% of total Utilities O, M & R Fund expenses.*

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

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

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

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

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

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

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

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

Operating/Capital Expenditure Accountability:

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

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

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

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

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

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

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

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

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

Status: Debt service coverage is a requirement of our lenders, and the City provides sufficient coverage as stipulated in bond covenants.

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

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

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

Status: *Enterprise funds are Proprietary Funds as defined and, as such, are self supported by user fee charges. Each enterprise fund pays an administrative charge to the General Fund for support provided based on an annual review of such administrative expenses. In the FY 2014 budget, the following administrative charges are included within the enterprise funds: Utilities \$1,942,618, Sanitation \$ 425,428, Building \$74,103, Laishley Marina \$33,804.*

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

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

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

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