



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

To: City Council Members
From: Howard Kunik, City Manager
Date: August 5, 2016
Subject: FY 2017 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 twelfth 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 6.6%, which is the fourth straight year of increasing property values, reversing a previous trend of six straight decreases in overall value.
- The Community Redevelopment Area (CRA) experienced a 4.0% increase from previous year property values, the second straight year of value increases.
- Increased value from new construction, annexations and other adjustments in the City is \$38.4 million up from \$23.9 million the previous year.
- The proposed FY 2017 General Fund Budget, net of ending reserve, totals \$19,185,943, which is \$1,182,593 or 6.6% more than the original FY 2016 budget net of the 1% sales tax, now budgeted in a separate special revenue fund. The cumulative reduction in the general fund since FY 2008 is 6.5%.
- Incorporated in the overall budget is a proposed 3% merit increase for employees.
- The State released its final state-shared revenue estimates in July, based on 100% of projected collections. Due to past experience in which the State revised projections at various times during a fiscal year, the budget reflects approximately 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 2017 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 2017 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 2016, and they are carried forward into the FY 2017 budget development.
- The change in Consumer Price Index (CPI) as reflected in the State “Save Our Homes” Legislation is .7%. This means that no matter how high the market value of a homestead property increases, the assessed value can only rise .7%.

The slow but 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 ten strategic plans. Action items accomplished as part of the 2016 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.
- Presented plan to automate sanitation collection to include 32-gallon trash receptacle carts. Effort to increase efficiencies in service delivery and enhance employee safety. Implementation schedule to be developed by September.
- Approved voluntary annexation agreement and related ordinances to annex light industrial property between Cooper Street and US 41.
- Approved purchase contract for sale of Fishermen's Village in return for approximate \$30+ million in capital investment at property. Phase 1 improvements (new entrance, Scotty's Brewhouse, public restroom renovation, Harborwalk) well underway. Sale of property still under title research by owner's attorney.
- Approved community garden/fresh market business development initiative as part of federal community development block grant program to accomplish job creation and healthy food options in neighborhoods east of US 41.
- Amended regulations to allow for single family residential within Trabue Woods Historic Overlay District in City Center and renters to operate home based business with owner consent.
- Participated in Shark Tank regional program to promote former City Marketplace site to potential developers.
- Sold former City recycling yard property to private owner for nursery operation.
- Initiated proposal process for sale and development of City owned property off West Henry.

Infrastructure Sustainability

- Completed annual street resurfacing program. Brick installation on 200 block of Goldstein to be scheduled.
- 50% cooperative funding agreement with Southwest Florida Water Management District approved for Groundwater Reverse Osmosis Water Treatment Plant. Well field testing and drilling well underway. Final plant design 60% completed. Deep injection well bid approved.
- Contracts for engineering and permitting and assessment methodology approved for Additional Harbor Access (Bird Section Cut Through). Work underway.
- Permit application submitted to Florida Department of Environmental Protection for Burnt Store Isles rim canal dredging project.
- Purchase contract for new 800 MHZ public safety radio system approved.
- Provided periodic status reports on six-year 1% Local Option Sales Tax capital projects plan. Projects completed include reconstruction of seawalls along harborwalk between Gilchrist Park gazebo and Bayfront Center and extension of harborwalk behind marina and Crabhouse buildings. Projects under design and/or waiting to initiate bid process include widening of Harborwalk under US 41S bridge, stormwater drainage improvements in Boca Grande area, Madrid sidewalk extension to BSI shopping center along US 41, and Gilchrist Park playground and restrooms.
- Developed and presented FY 2017-2021 Capital Improvements and Capital Outlay Plans for major infrastructure categories.

Partnerships, Communication & Collaboration

- Completed sixth Citizen's Academy, reaching out to over 30 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 third Paint Your Heart Out initiative.
- Continued publicity for Facebook initiative, now reaching over 6,000 subscribers on a regular basis, whereby users can comment on pertinent City issues through “question of the week”, and initiated of Police Facebook page and NextDoor site for public safety communication and dissemination of information.
- Participated in numerous community meetings pertaining to 1% Local Option Sales Tax extension referendum, which was passed by voters in Charlotte County in November 2014. Extension runs through December 2020, and is estimated to bring in \$14.4 million for capital projects.
- Held and/or participated in numerous neighborhood meetings to garner input and engage the community to address such issues as Additional Harbor Access in Punta Gorda Isles, bicycle capital improvements plan, Trabue Woods neighborhood park, investment with community development block grant monies and budget development.
- Continued customer satisfaction surveys regarding doing business with the city and police quality assurance reviews.
- 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’s effort to revise land development regulations (architectural, landscape and sign standards); Punta Gorda History Center archives and museum; Andrews House affordable housing; Punta Gorda Airport designation as an Emerging Strategic Intermodal System Facility; San Sebastian sewer installation; naming of new Punta Gorda Library; Shell Creek and Prairie Creek Reasonable Assurance Plan reporting requirements; opposition to State legislation regarding hydraulic fracking; and Florida League of Cities call for action on proposed legislative matters.

Marketing

- Presented new website redesign in effort to enhance marketing of City’s assets and dissemination of public information.
- Approved TEAM Punta Gorda as lead organization to garner public input into future development of Water Activity Center.
- Continued partnership with Fishermen’s Village through distribution of Punta Gorda brochures when Village promotes the area throughout the state.
- Partnered with Charlotte County Visitor’s Bureau to conduct charrettes regarding development of a consistent marketing positioning strategy and message.

Quality of Life

- Partnered with TEAM Punta Gorda and local bicycle organizations to develop bicycle capital improvements plan and conducted a workshop to garner public input. Plan revision underway based on customer input.
- Partnered with Punta Gorda Housing Authority and Charlotte County for construction of both Phase 1 and Phase 2 senior housing and application of tax credits for housing financing. Construction of 120 units underway.

- Partnered with Charlotte County, Airport Authority and Florida Southwestern State College (FSW) to develop plan for Western Michigan University (WMU) to initiate programs at FSW and Airport sites. WMU received provisional license for programs/course offerings in State.
- Installed additional waste receptacles on Marion in core downtown, and approved loading/unloading area on Taylor for horse drawn carriage operations.
- In partnership with TEAM Punta Gorda, completed community garden installation in History Park.
- In partnership with Vietnam Wall Committee, initiated construction of Vietnam Wall. Project projected for August completion.
- Made application for forestry grant as means to increase tree canopy.

The FY 2016 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 achieve 75% residential and 25% commercial.
- 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 Punta Gorda Pathways connecting all neighborhoods with a pedestrian/bicycle pathway.
- 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.

Marketing

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

Quality of Life

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

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

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

ECONOMIC OUTLOOK

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

National Economic Outlook

The most recent statement of the Federal Reserve Open Market Committee (FOMC), issued on June 21, 2016, included the following key points:

- Labor market conditions clearly continued to strengthen during the early months of this year. Payrolls expanded at a solid pace of almost 200,000 per month in the first quarter, and while the unemployment rate flattened out at close to 5%, the labor force participation rate moved up strongly. The unemployment rate dropped in May to 4.7%, its lowest level since late 2007, and down from 5.5% in May 2015; however, the labor force participation rate fell back again and was little changed from its year-ago level. All told, the latest readings suggest that labor markets are tighter than they were at the end of last year but that the pace of improvement has slowed. Whether those signs of slowing will be confirmed by subsequent data, and how persistent any such slowing will be, remains to be seen.
- Consumer price inflation has continued to be held down by lower prices for energy and imports, and the price index for personal consumption expenditures (PCE) increased only about 1% over the 12 months ending in April. Changes in the PCE price index excluding food and energy items, which provide a better indication than the headline figure of where overall inflation will be in the future, also remained modest.
- On average, consumer spending so far this year appears to be expanding at a moderate pace, supported by solid income gains and the ongoing effects of the increases in wealth and the declines in oil prices of the past two years.
- The housing market continues its gradual recovery, and fiscal policy at all levels of government is now modestly boosting economic activity after exerting a considerable drag in recent years. One area of concern, however, is the softening in business fixed investment in recent quarters even beyond those sectors most directly affected by the plunge in energy prices. In addition, the weakness of exports—following the significant appreciation of the dollar over the past two years and the subdued pace of foreign economic growth—continues to hold back overall output growth.
- After having raised the target range for the federal funds rate to between $\frac{1}{4}\%$ and $\frac{1}{2}\%$ last December, the Committee maintained that target range over the first half of the year. The Committee's decisions to leave the stance of policy unchanged were supported by its assessments earlier in the year that global economic and financial developments posed risks to the economic outlook and that growth in economic activity appeared to have slowed. The Committee stated that its accommodative stance of policy is intended to support further improvements in labor market conditions and a return to 2% inflation.
- The Committee expects that economic conditions will evolve in a manner that will warrant only gradual future increases in the federal funds rate, and that the federal funds rate will likely remain, for some time, below levels that are expected to prevail in the longer run. Consistent with this outlook, FOMC participants projected that the appropriate level of the federal funds rate would be below its longer-run level through 2018.

Florida/Southwest Florida Regional Economic Outlook

The June 2016 Florida Economic Overview, published by the Florida Legislature Office of Economic and Demographic Research, highlighted key economic variables which are shown here:

- Florida's gross domestic product grew 3.1% in 2015, surpassing the national growth rate of 2.4%, the third fastest rate among all large states. The forecast is for more growth according to a report from the University of Central Florida. The Florida economy is expected to grow at a faster pace than the nation's over the next four years.
- Florida finished 2014 with 5% personal income growth rate over the prior year – above the national growth rate of 4.4% and ranking 9th among all states.
- Florida's average annual wage further declined to 87.2% of the national average; the posting in 2013 was 87.6%. This is the state's lowest percentage since 2001.
- Population growth is expected to remain above 1.5% over the next few years, averaging 1.52% annually between 2015 and 2020. Nationally, average annual growth will be 0.75% between 2015 and 2030. The state surpassed New York to become the third most populous state.
- Florida's older population (age 60 and older) will account for 58% of the gains, while the younger population (age 0-17) will account for 13% of the gains.
- Single-family building permit activity, an indicator of new construction, is back in positive territory, showing strong growth in both the 2012 and 2013 calendar years (32.3% and 31.3%, respectively). Final data for 2014 shows a 1.6% increase over 2013; however, 2015 activity is 30% higher than the previous year. For the first four months of 2016, single-family building permit activity was running 16.5% over the same period the prior year.
- The statewide median sales price for single-family homes was \$221,050 in May 2016, up 10.5% from the previous year. According to the National Association of Realtors, the national median sales price for these homes was \$233,700 as of April 2016.
- Florida's foreclosure rate ranked in the top five each month in 2015. The foreclosure inventory is expected to normalize by the end of the 2018 calendar year.
- The 2015 percentage of homeownership rate (64.8%) is the lowest since 1989, and it's below the long-term average for Florida. First quarter data for 2016 shows a further decline to 64.7%
- In FY 2015, the state's general revenue collections surpassed the prior peak in FY 2006. After slowing in FY 2016, steady growth is expected to continue throughout the forecast.

Florida's unemployment rate was 4.7% in May 2016, down from 5.4% one year ago.

The Southwest Florida economy continues its recovery. Seasonally-adjusted taxable sales in the region were \$2.1 billion in March 2016, an increase of 5% (\$102 million) over March 2015. Passenger activity for the three Southwest Florida airports amounted to in 1,126,636 in April 2016, an increase of 2% over April 2015.

Charlotte County Economic Highlights

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

- Charlotte County continues to notice solid growth in population, from 168,474 one year ago to 173,115 representing a 3% increase.
- For the fourth consecutive year, the taxable property value in the County has increased, up 6.4% from the previous year. Of that amount, new construction accounted for 1.2%.

- Unemployment was 4.9% in May 2016, slightly higher than the state’s rate of 4.7%. One year ago, the unemployment rate in the County was 6.1%.
- The median sales price of an existing single family home in the Punta Gorda Metropolitan Statistical Area (all of Charlotte County) was \$191,000 in May 2016, an increase of 11% from the previous year (\$172,160). The supply in the single-family home market was five months, which suggest a market slightly favoring sellers.
- The County’s taxable sales grew by 8%, from \$200.6 million in March 2015 to \$215.9 million in March 2016.
- The Punta Gorda Airport and Enterprise Charlotte Airport Park (ECAP) represent major economic drivers in the area. The Airport Authority’s terminal expansion project, aimed to meet current and future demand primarily from Allegiant Airlines, has been completed and open for business. Allegiant’s service area from Punta Gorda flies to 30 cities. Passenger activity at the airport since calendar year 2010 has risen in significant numbers, as shown below:

Year	Passenger Count	Year	Passenger Count	Year	Passenger Count
2010	182,423	2013	333,611	2016	573,246 (thru June)
2011	291,626	2014	628,075		
2012	219,357	2015	836,472		

- Construction of the 345,000 square foot Cheney Brothers food distribution warehouse, located in the ECAP area has been completed and the facility is open for business. The project brought 340 jobs to the Punta Gorda area with wages averaging \$36,000 annually, which is above the average wage in the area. The company now plans to add 100,000 square feet within a year, and a 50,000 square foot meat cutting facility in two to three years. Ancillary businesses and jobs are anticipated to be created as the distribution center expands its presence in the area.
- 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. With this provisional license, WMU will establish a satellite facility at FSC for the aviation training along with other programs such as health, nursing and university studies.
- 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.
- The Murdock Village redevelopment continues to be a future major economic driver in County development opportunities. Infrastructure initiatives continue to be explored that may provide an incentive for private investment in the area.
- The County also contracted with VisionFirst Advisors to develop a strategic plan for economic development. The firm recommended the following:
 - ✓ Targeting smaller industries and focusing on niche manufacturers
 - ✓ Targeting health care or industries that focus on serving the senior population
 - ✓ Helping local expansion of businesses
 - ✓ Addressing lack of building availability
 - ✓ Promoting existing educational opportunities
 - ✓ Building a county brand
 - ✓ Improving the ease of doing business in the County
 - ✓ Enhancing working relationships among economic development partners

Punta Gorda Economic Highlights

Projections show a 2017 population of 18,030, 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 2017) increased Citywide by 6.6% from the final previous fiscal year, including \$38 million of new construction, annexation, and changes in exemption. This is the fourth straight year experiencing an increase in values after six straight years of declines in taxable value Citywide.
- New housing unit building permit trends since FY 2005 are shown below. Activity from FY 2010 through July of FY 2016 demonstrates a positive trend in new residential construction from FY 2009.

Year	Units Permitted	Year	Units Permitted	Year	Units Permitted
FY 2005	467	FY 2009	12	FY 2013	88
FY 2006	241	FY 2010	37	FY 2014	100
FY 2007	190	FY 2011	30	FY 2015	125
FY 2008	98	FY 2012	56	FY 2016	87 (through June)

- 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. GC was asked to examine the residential, retail, hotel and commercial office components, include recommendations for product types, unit sizes, and sale prices for the housing element to be developed on this site, and retail, office and hotel sizes and rent ranges. GC's engagement was also to analyze the market potential for any alternative proposed residential developments for the site, and to quantify the demand for each alternative. 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.

The consulting group incorporated comprehensive economic and demographic research of the City's position in Southwest Florida to support the above findings. The LOOP property owner uses this data in its marketing effort to attract developers to invest in the site. The first such development is a prospective Aldi Market.

- Aqui Esta development – a 100+ acre parcel of undeveloped property along Aqui Esta that is zoned for up to 500 single family homes. Under consideration is a mixed-use development to include a specialty hotel and condominiums with adjacent marina for private dockage or up to 200 homes with marina dockage.
- 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 2017. The total FY 2017 budget including all transfers and carryover fund balance is \$93,661,153 which is \$17,574,014 (23.1%) greater than FY 2016. The major factors causing the net increase are increased utilities capital construction of \$12.4 million, additional general construction projects of \$0.3 million, additional 1% sales tax projects of \$0.9 million, increased utilities contribution for regional pipeline of \$1.5 million, increased BSI Canal maintenance dredging project of \$0.6 million, personnel related net costs of \$0.8 million, increased operating expenditures in recycling, repair & maintenance, and administrative charges of \$0.6 million and a \$4.7 million increase to ending reserves. Mitigating these increases are a decrease in debt service of \$2.3 million due to delays of financing, a decrease in sanitation capital outlay of \$1.1 million due to no replacement of refuse trucks in FY 2017, and a reduction of \$0.8 million in operating transfers.

The chart below compares previous adopted budgets with the proposed FY 2017 budget. The expenditures are net of transfers to other funds, internal service funds and ending reserves. The FY 2017 net amount is \$68,249,272 which is \$13,779,455 or 25.3% greater than FY 2016. Removing the effect of the \$4.7 million increase in ending reserves and the \$0.9 million reduction in transfers brings the overall budget increase to \$13.8 million, which is substantially capital projects discussed above.

City of Punta Gorda
Comparison of Net Budgeted Expenditures
Budget FY 2011 through Proposed Budget FY 2017
 (Net of transfers, internal service funds and ending carryover fund balance)

	Budget FY 2011	Budget FY 2012	Budget FY 2013	Budget FY 2014	Budget FY 2015	Budget FY 2016	Proposed Budget FY 2017
General Fund	\$15,628,781	\$15,720,634	\$16,077,813	\$16,329,012	\$16,835,086	\$16,980,672	\$17,716,943
Special Revenue Funds	7,707,361	7,313,338	7,355,001	7,492,359	8,576,401	9,530,804	10,164,555
General Construction Fund	1,213,343	2,896,725	676,491	637,596	518,000	390,296	685,747
Enterprise Funds	21,911,792	21,662,082	19,558,040	21,339,565	25,036,612	27,568,045	39,682,027
Total Funds	\$46,461,277	\$47,592,779	\$43,667,345	\$45,798,532	\$50,966,099	\$54,469,817	\$68,249,272
\$ Net Increase (Decrease)	(\$11,235,036)	\$1,131,502	(\$3,925,434)	\$2,131,187	\$5,167,567	\$3,503,718	\$13,779,455
% Net Increase (Decrease)	-19.47%	2.44%	-8.25%	4.88%	11.28%	6.87%	25.30%

The FY 2017 budget addresses such issues as continued implementation of strategic plan objectives; realignment of staff to address departmental priorities; use of the FY 2015 Utility Rate Sufficiency Study; internal review and recommendation of increase to recycling rate; review by advisory boards/committees and recommendation of increase to BSI canal maintenance assessment fees; and the following capital improvements: maintain expanded road resurfacing; enhancement to Punta Gorda Pathways; expansion of city-wide drainage improvements program, as well as the project for the Corto Andra/Boca Grande area; continuation of the groundwater reverse osmosis (R.O.) water treatment plant through construction of well field and deep injection well, and permitting/design and construction of R.O. plant. It is our responsibility to exhibit leadership in addressing these issues and providing cost effective public services to our citizens.

The 273 funded full time equivalent (f.t.e.) position net count has increased by two for FY 2017; one fire inspector and one procurement clerk. The 4 f.t.e. increase in FY 2016 included 2 trainee positions, one for the water and one for the wastewater plant; and two positions for the building department: an

inspector and a clerk. The 4 f.t.e. increase in FY 2015 was due to the Charlotte Harbor National Estuary (CHNEP) program selecting the City as its host entity for purposes of oversight, accounting and administration, their 4 staff are now City employees. From FY 2008 through FY 2014 the City reduced staff by 50 f.t.e. positions, which was a 16% decrease. As the economy has slowly recovered and activity related to growth services has increased, the City has added back 4 positions and 2 trainee positions plus a new self-funded operation of 4 staff – see discussion above regarding CHNEP. 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
2017	18,040	273	1.5
2016	17,835	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
1999	13,646	277	2.0

CORE LEVEL OF SERVICES COMPARATIVE ANALYSIS

The charts below provide a benchmarking analysis of costs to deliver core level of services for eight Southwest Florida municipalities. Services compared include those paid for by property taxes, fees/assessments (sanitation, fire, stormwater/roads/drainage, debt service) and average water/sewer bill. Results of the comparison show:

- Property tax is the only category that fluctuates due to home value.
- Punta Gorda and Bonita Springs are the only cities that do not impose a stormwater or fire service fee. Bonita Springs has a separate fire district that enacts a millage rate to perform the service, whereas Punta Gorda’s sole millage rate includes fire service funding.
- Punta Gorda compares favorably for delivery of core services for homes valued at \$100,000 and \$250,000 level.

Basic Taxes and Fees Comparison for Single Family Residential (Based on Taxable Home Value of \$100,000)

Category	Bonita Springs	Punta Gorda	Naples	Venice	Sarasota	North Port	Cape Coral	Fort Myers
Property Tax	\$ 81.73	\$ 319.69	\$ 118.00	\$ 310.00	\$ 317.28	\$ 359.74	\$ 695.70	\$ 877.60
Water & Sewer	92.95	75.72	136.84	137.80	115.60	120.59	130.27	164.48
Sanitation	179.08	239.40	256.54	202.08	259.92	249.00	158.86	228.96
Stormwater			156.60	154.44	26.90		80.00	138.24
Solid Waste MSTU							11.70	
Fire & Rescue	235.00				279.39	190.52	233.43	45.83
Road & Drainage						119.03		
R & D Capital Improv.						46.00		
Debt Service				17.70	32.53			
Solid Waste Assessment								12.83
Total	\$ 588.76	\$ 634.81	\$ 667.98	\$ 822.02	\$ 1,031.62	\$ 1,084.88	\$ 1,309.96	\$ 1,467.94

Basic Taxes and Fees Comparison for Single Family Residential
(Based on Taxable Home Value of \$250,000)

Category	Bonita Springs	Punta Gorda	Naples	Venice	Sarasota	North Port	Cape Coral	Fort Myers
Property Tax	\$ 204.32	\$ 799.22	\$ 295.00	\$ 775.00	\$ 793.20	\$ 899.35	\$ 1,739.25	\$ 2,194.00
Water & Sewer	92.95	75.72	136.84	137.80	115.60	120.59	130.27	164.48
Sanitation	179.08	239.40	256.54	202.08	259.92	249.00	158.86	228.96
Stormwater	-	-	156.60	154.44	26.90	-	80.00	138.24
Solid Waste MSTU	-	-	-	-	-	-	29.25	-
Fire & Rescue	587.50	-	-	-	279.39	190.52	233.43	45.83
Road & Drainage	-	-	-	-	-	119.03	-	-
R & D Capital Improv.	-	-	-	-	-	46.00	-	-
Debt Service	-	-	-	44.25	81.32	-	-	-
Solid Waste Assessment	-	-	-	-	-	-	-	12.83
Total	\$ 1,063.85	\$ 1,114.34	\$ 844.98	\$ 1,313.57	\$ 1,556.33	\$ 1,624.49	\$ 2,371.06	\$ 2,784.34

BUDGET HIGHLIGHTS BY FUND

General Fund

The proposed FY 2017 General Fund Budget, net of ending reserve, totals \$19,185,943, which is \$1,182,593 or 6.6% more than the original FY 2016 budget. See detail below.

General Fund
Proforma Schedule of Revenues and Expenditures
Proposed FY 2017 through Proforma FY 2021

	Proposed FY 2017	Proforma FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021
Change in Taxable Value of Property	6.6%	4%	4%	4%	4%
Revenues:					
Ad Valorem Taxes	\$8,224,800	\$8,553,800	\$8,895,920	\$9,251,773	\$9,621,860
Other Revenue	10,324,190	10,452,185	10,570,281	10,713,460	10,858,922
Use of Prior Year's Reserves	636,953	846,626			
Total Revenues	19,185,943	19,852,611	19,466,201	19,965,233	20,480,782
Expenditures:					
Personnel Expenditures	13,136,785	13,671,790	14,172,383	14,694,868	15,240,365
Operating Expenditures	3,915,157	4,011,821	4,127,173	4,246,342	4,369,460
Capital	650,001	1,070,000	650,000	743,595	560,000
Transfers to other Funds	510,000	625,000	645,800	667,432	689,929
Transfers for Roads	459,000	459,000	459,000	459,000	459,000
Transfers for Drainage	500,000				
Contingency	15,000	15,000	15,000	15,000	15,000
Total General Expenditures	19,185,943	19,852,611	20,069,356	20,826,237	21,333,754
Expenditures in Excess of Revenue	\$0	\$0	(\$603,155)	(\$861,004)	(\$852,972)
Minimum Reserve (7.0% to 9.0%)	\$1,342,000	\$1,490,000	\$1,606,000	\$1,771,000	\$1,929,000

Based on a slightly improving economy, with modest anticipated increases of 4% in taxable property valuations and flat to slight increase of 2% in shared state revenues and other general fund revenues, the current five year fiscal forecast (July 2016) projects deficits in the range of \$.6 million to \$.9 million per year from FY 2019 through FY 2021. The general fund financial plan has been developed to eliminate any gap in FY 2017 and FY 2018 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.

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 delayed filling if possible
- Competitive bidding where practical and competitive pricing
- Sales of scrap, repurposing of obsolete or auctioning for value of any fixed assets
- Maximization of collection of fees, taxes and rentals due the city
- Conscientious use of allocated funds
- Avoidance of lost opportunities
- Use of technology wherever possible to enhance level of service and to maximize personnel value

The preceding proforma 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.

General Fund Department Highlights

There are no major program changes or service level impacts to the following departments – City Council, City Manager/Legal/Human Resources, Finance, and Public Works.

Human Resources

On an annual basis, Human Resources reviews the City's Pay and Classification plan to ensure that the pay component of the employee compensation package is within the median range for other agencies and municipalities in Florida. In order to maintain the median position, the proposed budget includes an annual merit of up to 3% for eligible employees.

City Clerk

Budget includes \$50,000 for election expenses to cover a primary and election.

Procurement

An assistant buyer position (1 f.t.e.) has been added to the procurement division to improve service and efficiency in processing purchase requests, cross training of personnel, improve the effectiveness of contract management, increase surplus auctions, and increase management focus on regulatory changes.

Urban Design and Zoning & Code Compliance

A restructuring of these two divisions has shifted one f.t.e. from Zoning & Code Compliance to Urban Design. In addition, duties and positions have been restructured to improve service levels.

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

Overtime for operations and dispatch has been increased based on need in FY 2016 and expected continuing activity in FY 2017. A police vessel is budgeted in the FY 2017 capital outlay program. A grant will be applied for.

The most recent crime data available is presented below.

2015 Uniform Crime Reporting Data
Florida Municipal Law Enforcement Agencies 15,000-20,000 Service Population
 (Ranked by Index Crime Rate/100,000)

Agency	Pop.	Total Crime Index	Crime Rate/100,000	% Cleared
Marco Island PD	16,728	148	884.7	12.2%
Punta Gorda PD	17,675	252	1,425.7	42.1%
Safety Harbor PD	17,103	326	1,906.1	29.1%
Lake Mary PD	15,905	313	1,967.9	20.4%
Naples PD	19,527	555	2,842.2	27.6%
Village of Pinecrest	18,408	529	2,873.8	15.7%
Maitland PD	17,007	493	2,898.8	19.1%
Tavares PD	15,106	451	2,985.6	21.1%
Lynn Haven PD	19,287	581	3,012.4	44.6%
Seminole PD	18,231	634	3,477.6	44.0%
Lake Wales PD	15,011	561	3,737.3	48.7%
Stuart PD	16,110	627	3,892.0	30.8%
Vero Beach PD	15,608	635	4,068.4	26.8%
Eustis PD	19,432	827	4,255.9	23.5%
New Port Richey PD	15,351	805	5,244.0	21.2%
Bartow PD	18,205	1,032	5,668.8	28.7%
Belle Glade PD	17,448	1,079	6,184.1	18.9%
Zephyrhills PD	15,010	966	6,435.7	53.5%
Opa Locka PD	17,528	1,416	8,078.5	16.9%
Cocoa PD	18,313	1,673	9,135.6	25.3%

Upon reviewing the comprehensive 2015 UCR data for the City of Punta Gorda, highlights include:

- Punta Gorda's overall crime rate decreased 15.4%. The crime rates for the last five years remain among the lowest in the last decade. This is also the lowest crime rate on record for the past two decades (since 1995 when our oldest data was available).
- When compared to municipal police departments throughout Florida with a service population between 15,000 and 20,000, Punta Gorda maintained 2nd place behind Marco Island for lowest crime rate.
- Among the eleven (11) municipal law enforcement agencies in the Southwest Florida region (regardless of size or population), the crime rate in Punta Gorda ranks 3rd only to Marco Island and Sanibel.

- The statewide clearance percentage for 2015 was 25.9%. The Department’s 2015 clearance percentage of 42.1% 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 28.5%. This particular figure is of key importance since it reflects effectiveness in solving or reclassifying index crimes within a community.

Fire

The Fire budget includes adding a fire inspector (1 f.t.e.) to improve the level of service in the following areas: in-service inspection program and follow-up on noncompliance issues; plans and permit reviews; pre-fire plan approvals for CAD system; local business tax application reviews; DRC, code enforcement board meetings; and special event inspections and coordination of special details. Advanced Life Support (ALS) program has an increased budget for training, medical supplies, and increased personnel costs for paramedic certifications.

The National Fire Protection Association standard (NFPA 1710) for service response time is five minutes or less, 90% of the time. The average emergency response time during FY 2016 to date is 4 minutes and 02 seconds.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Current
Average response times	4:16	4:10	4:00	3:57	3:54	4:02
Emergency < 5 minutes	1149	1822	1869	1983	2266	2509
% Emergency < 5 mins	79.7%	72.2%	74.7%	77.1%	78.9%	84.7%

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, contributions and reserves are the primary categories in this classification.

Transfers to other funds increased due to the creation of a drainage improvement program. \$500,000 will be transferred to the general construction fund to begin the program. Staff will provide information to City Council for discussion as to what funding mechanism will provide for continuance of the program. Alternatives currently include millage rate, stormwater utility fee or assessment to be included on the annual County property tax bill.

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

The lot mowing program annual fee is now placed on the property tax bill as an annual assessment. The proposed rate of \$160, 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 2017 budget.

There were no changes made to the funding levels of the City’s charter membership contributions to the Charlotte Harbor Environmental Center (CHEC) and Charlotte Harbor National Estuary Program. Contributions to non-profit agencies through the United Way community impact funding process are \$25,000, which mirrors the previous eight years. No change to the reserve for general contingencies of \$15,000. Operating reserves are discussed in detail beginning on page 2.20 – General Fund Balance.

City of Punta Gorda, FL
General Fund Expenditures Comparison
Original Budget FY 2011 through Proposed Budget FY 2017

	Original Budget FY 2011	Original Budget FY 2012	Original Budget FY 2013	Original Budget FY 2014	Original Budget FY 2015	Original Budget FY 2016	Proposed Budget FY 2017
General Fund Expenditures							
City Council	\$ 109,971	\$ 111,758	\$ 108,048	\$ 111,891	\$ 107,959	\$ 106,367	\$ 98,442
City Manager	244,916	223,716	221,771	214,690	237,488	257,720	251,182
Human Resources	283,829	312,042	304,588	316,284	297,940	355,492	304,543
City Clerk	529,761	472,920	486,703	429,018	456,770	457,948	530,987
Finance	779,785	775,367	807,040	853,170	813,123	832,091	880,793
Procurement	480,672	475,693	487,389	465,844	495,169	504,762	592,583
Legal Counsel	218,118	219,287	219,021	192,511	199,201	205,753	203,700
Public Works Administration	288,257	296,557	306,748	317,676	306,715	306,621	312,020
Engineering	449,242	460,393	473,577	471,978	426,781	458,618	435,082
Right of Way Maintenance	1,025,786	1,044,734	1,041,844	981,427	1,042,761	1,078,783	1,254,571
Parks & Grounds	1,200,489	1,147,248	1,141,312	1,336,443	1,442,580	1,417,403	1,499,740
Police	4,982,288	5,075,548	5,151,300	5,230,086	5,377,523	5,412,144	5,560,536
Fire	2,817,310	3,027,750	3,190,396	3,268,585	3,328,578	3,252,140	3,460,350
Growth Mgmt	155,418	152,141	159,014		2		
Urban Design	611,270	609,653	639,018	663,805	542,856	551,318	652,304
Zoning & Code Compliance	264,377	265,168	266,846	423,869	469,618	481,509	410,944
Facilities Maintenance	791,848	746,559	776,198	745,735	759,019	757,483	771,601
Non-Departmental	395,444	304,100	297,000	306,000	531,005	544,520	497,565
Subtotal Operations	15,628,781	15,720,634	16,077,813	16,329,012	16,835,086	16,980,672	17,716,943
Incr (Decr) from prior year	(543,544)	91,853	357,179	251,199	506,074	145,586	736,271
% incr (-) decr from prior year	-3.36%	0.59%	2.27%	1.56%	3.10%	0.86%	4.34%
Transfers to Other Funds	542,090	564,785	582,689	588,249	539,299	563,678	510,000
Paving Transfer	355,000	355,000	355,000	355,000	609,000	459,000	459,000
Drainage Transfer							500,000
1% Local Sales Tax Trfr	1,571,866	1,633,000	1,637,800	1,485,000	201,000	0	0
Subtotal Ops and Transfers	18,097,737	18,273,419 ¹	18,653,302	18,757,261	18,184,385	18,003,350	19,185,943
Incr (Decr) from prior year	(596,663)	175,682	379,883	103,959	(572,876)	(181,035)	1,182,593
% incr (-) decr from prior year	-3.19%	0.97%	2.08%	0.56%	-3.05%	-1.00%	6.57%
Future Years' Budget - Reserve				590,000	103,999	464,000	574,626
Fleet/Equip - Reserve					312,000	312,000	420,000
Proj. Carryover - Ending Reserve	922,565	915,000	933,000	1,042,170	1,192,000	1,423,922	1,498,937
Reserves as a % of Operations & Transfers	5.10%	5.01%	5.00%	8.70%	8.84%	12.22%	13.00%
Total General Fund Exp.	\$ 19,020,302	\$ 19,188,419	\$ 19,586,302	\$ 20,389,431	\$ 19,792,384	\$ 20,203,272	\$ 21,679,506

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

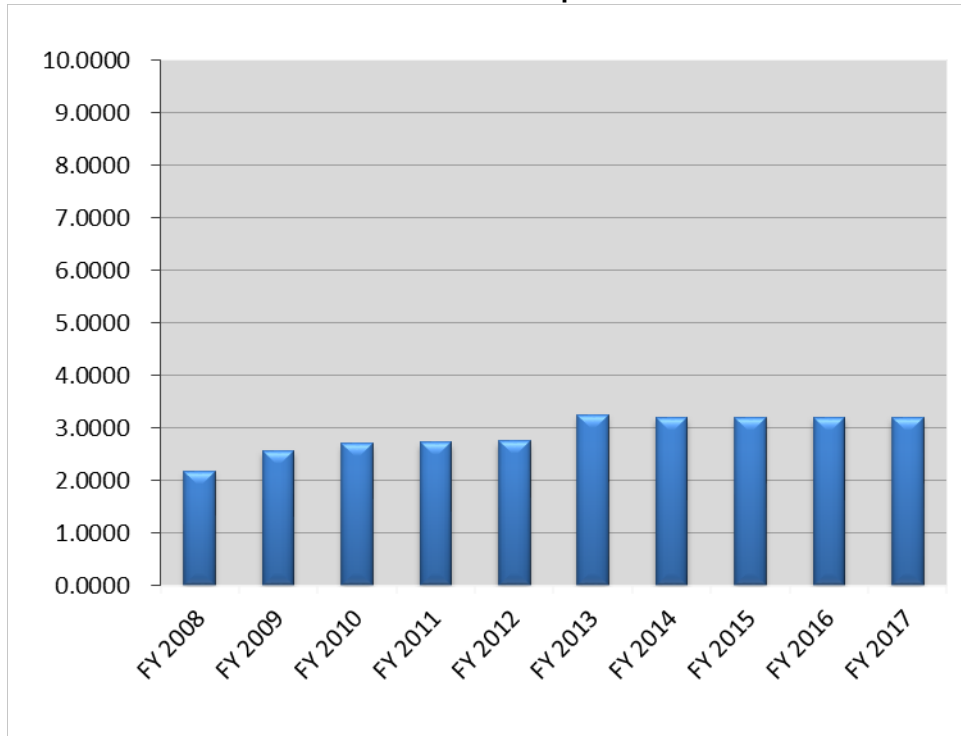
² Director position eliminated and staffing merged in FY 2014

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

Millage and Taxable Assessed Value

The proposed FY 2017 millage rate of 3.1969 mills, maintained since FY 2014, is 5% over the rolled back rate of 3.0446. 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 \$200,000 for the expanded drainage improvement program (additional \$300,000 needed in FY 2017 is budgeted from reserves).

**Property Tax Millage Rates
Fiscal Years 2008 - Proposed 2017**



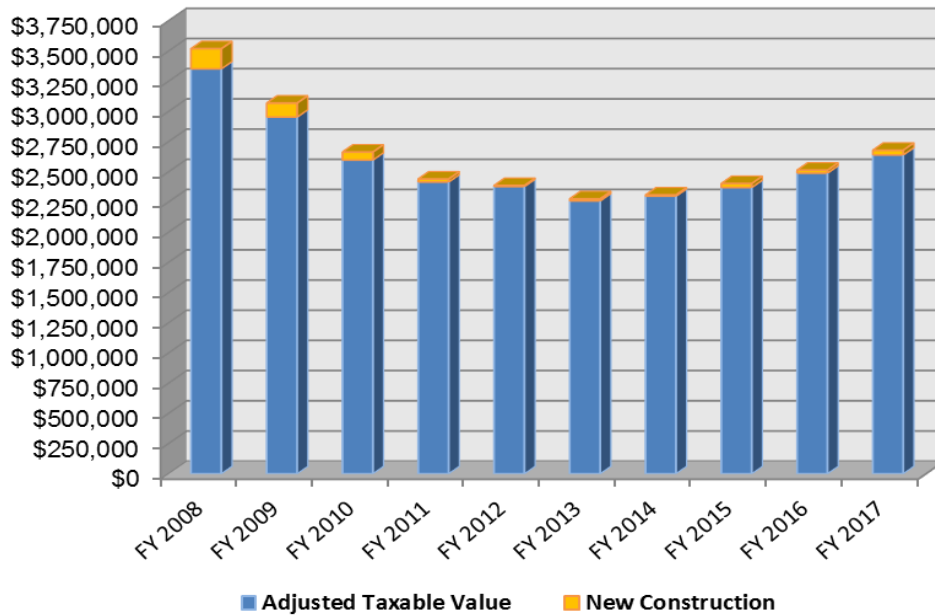
*A mill is equal to one dollar of tax for each \$1,000 of taxable value.
Florida Statutes caps the millage rate at 10 mills.*

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	\$2,308,224,076	\$38,127,780	1.7%	\$9,890,893
2015	\$2,398,248,062	\$90,023,986	3.9%	\$32,800,312
2016	\$2,513,363,249	\$115,115,187	4.8%	\$23,895,443
2017	\$2,678,944,043	\$165,580,794	6.6%	\$38,357,930

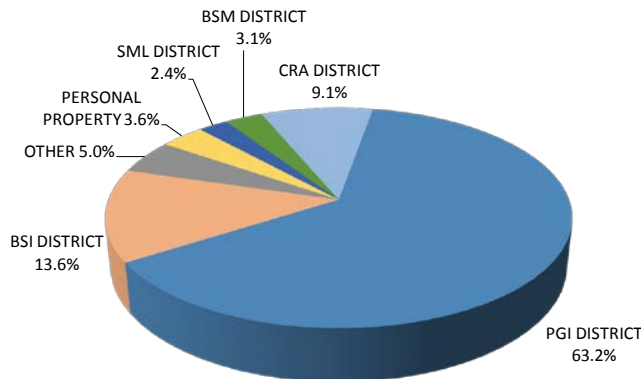
*Includes New Construction

Gross Taxable Value (in thousands)



The Charlotte County Appraiser’s July 1st certification shows a 5% overall increase for properties on the books from the prior year, and an additional 1.6% for new construction, annexations and changes in exemption for calendar year 2015. This is the fourth 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 ten years is a cumulative 21% 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 634 in FY 2017.

Initial review of taxable value distribution shows the following:



Homestead property owners whose taxable value is still below just value (non-parity) will be limited to a maximum of an 0.7% 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 0.7%), 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 2017**

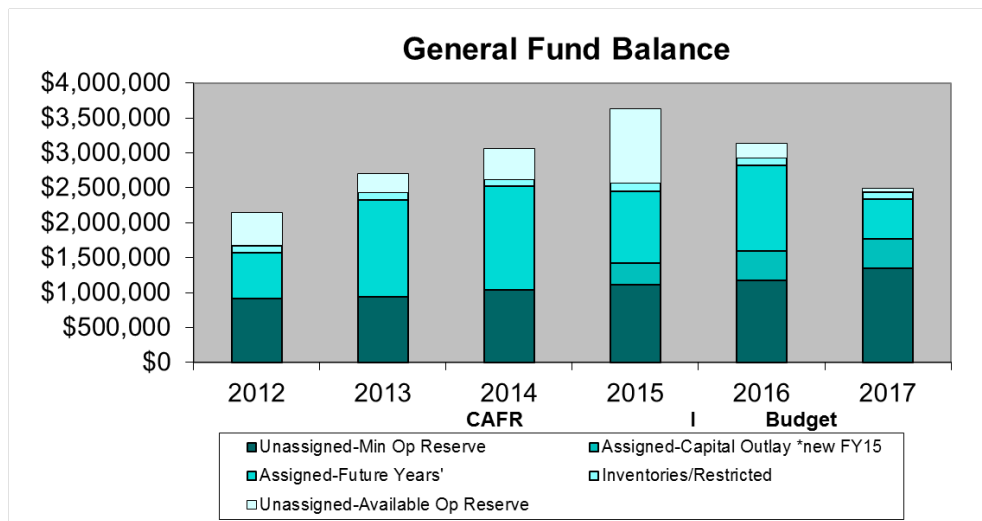
Assessed Value	\$150,000	\$300,000
Statutory Homestead	(50,000)	(50,000)
Taxable	\$100,000	\$250,000
Millage Rate	3.1969	3.1969
Tax	\$319.69	\$799.23

Fund Balance

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

- An adequate level of unrestricted fund balance will be maintained so credit rating agencies will recognize the City is in sound financial condition when they evaluate the City’s credit worthiness.
- The City will strive to follow the GFOA recommendation for a minimum level of unrestricted fund balance for the General Fund. The GFOA states the unrestricted fund balance for the General Fund should be a minimum of 2 months of operating expenditures, or 16.67%.
- For the General Fund and all other operating funds, except the Utilities Fund, the City will establish an unassigned fund balance minimum of 7% of total fund expenditures. Note: It is intended that this percentage increase each year and eventually attain the GFOA best practice standard.
- The City should have a prudent level of unrestricted fund balance to protect against the need to reduce service levels or raise taxes and fees due to temporary revenue shortfalls or unexpected one time expenditures.
- The City should maintain an adequate level of unrestricted fund balance as working capital to support operations until sufficient current revenues (taxes) are received.
- The City will provide a Capital Outlay Reserve based on the 5 year capital outlay program needs, and will fund the average annualized 5 year need, in order to provide a stabilized funding plan.

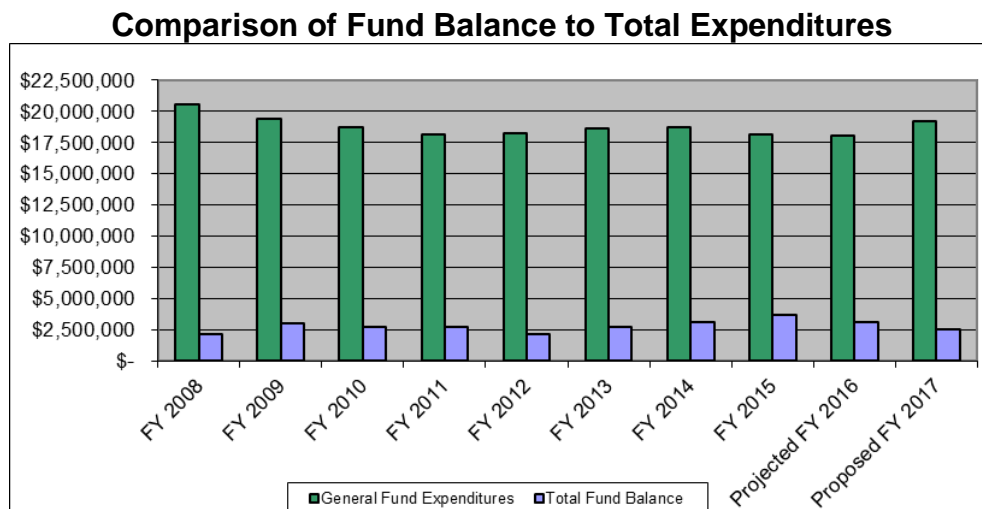
During the past ten fiscal years (2007 through 2016), the City earmarked a portion of reserves over the minimum policy to assist in paying for ongoing levels of service until such time as the economy rebounds. FY 2017 continues this practice.



The proposed FY 2017 end of year assigned reserves identifies the use of \$426,626 to reduce the gap in the proforma for FY 2018 and \$148,000 to increase the minimum operating reserve to 7.5% in FY 2018; and use of \$420,000 for the capital outlay reserve that will be funded on an ongoing basis from operations. The unassigned reserve category includes the adopted 7% minimum operating reserve based on the budget for FY 2017 of \$1,342,000. See graph below for historical trend of year end reserves. It is the City Council's policy to continue to take steps each year to increase the reserve.

Summary of Fund Balance at end of Fiscal Year for Actual FY 2014, FY 2015, Projected FY 2016 and Proposed FY 2017

	FY 2014		FY 2015		Projected FY 2016		Proposed FY 2017	
	Amount	% of Exp.	Amount	% of Exp.	Amount	% of Exp.	Amount	% of Exp.
Fund Balance								
Inventories/Restricted	\$ 104,983	0.6%	\$ 117,899	0.6%	\$ 104,000	0.6%	\$ 104,000	0.5%
Assigned-Future Years' Use of Op. Reserve	1,484,576	7.9%	1,027,579	5.7%	1,234,579	6.9%	574,626	3.0%
Assigned-Capital Outlay Reserve		0.0%	312,000	1.7%	420,000	2.3%	420,000	2.2%
Unassigned-Minimum Op. Reserve (Orig)	1,032,000	5.5%	1,109,000	6.1%	1,171,000	6.5%	1,342,000	7.0%
Unassigned-Available Op. Reserve	438,469	2.3%	1,062,940	5.9%	200,937	1.1%	52,937	0.3%
Total Fund Balance	\$ 3,060,028	16.3%	\$ 3,629,418	20.0%	\$ 3,130,516	17.4%	\$ 2,493,563	13.0%
General Fund Orig Budgeted Expenditures	\$ 18,757,261		\$ 18,184,385		\$ 18,003,350		\$ 19,185,943	



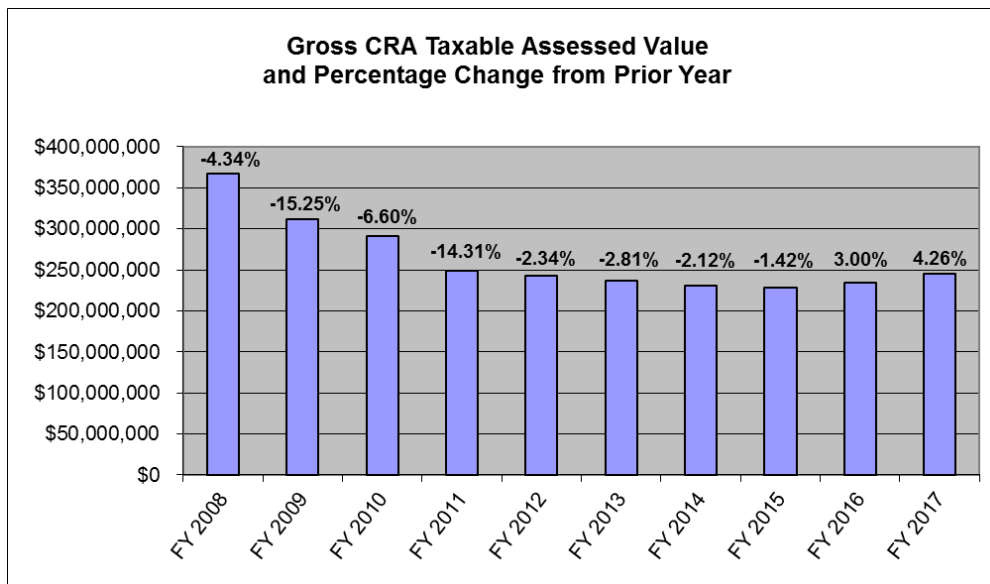
Community Redevelopment Agency

City Council created the Community Redevelopment Agency (CRA) in 1989 as a mechanism to carry out the goals and objectives of the Downtown Redevelopment Plan and Eastside & Downtown Planning Study. Projects constructed within the CRA are funded by property owners within the CRA from tax value increments generated over the 1989 base year. The CRA has focused redevelopment efforts on projects which assist in rebuilding our public spaces. These efforts concentrate on several expansive projects which stress the importance of maintaining our public waterfront, alleviate parking issues and help to re-establish the critical mass of structures and economic activity within the downtown area and adjacent neighborhoods. Over 60% of the CRA tax base is commercial and professional uses.

The CRA has experienced dramatic fluctuations in taxable assessed value and related City/County tax increment finance (TIF) contributions over the past ten years. The tables shown here provide history of taxable value and revenue generated from TIF since FY 2008.

Fiscal Year	Gross CRA Taxable Assessed Value	City TIF Contribution	County TIF Contribution	Total TIF Contribution
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	\$244,915,488	\$500,000	\$982,031	\$1,482,031

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



In July 2012, the CRA Board and City Council, in partnership with Charlotte County, recognized that declining taxable values could not support the repayment schedule of existing debt. In doing so, the three governing bodies approved the extension of the life of the CRA until December 31, 2030. Subsequently, the City completed refinancing CRA debt to better match income flow and to eliminate projected deficits. The proforma anticipates conservative assessed property value increases of 3% in FY 2018 through FY 2021. The resulting estimated debt service reserve grows from \$360,000 at end of FY 2017 to \$954,000 at end of FY 2021, 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 2017 reflect this trend. The proforma below includes an annual placeholder of \$140,000 for repairs. If funds are not needed in the current fiscal year, they will carryover to the next fiscal year, thereby ensuring funds are available to properly maintain the infrastructure.

The Herald Court lease revenue for FY 2017 includes the current tenants as well as a projection to fill 1,428 sq. ft. of currently vacant space. Based on these projections, the reserve for the Herald Court Centre shows a balance of \$119,000 in FY 2017 and growing to \$263,000 in FY 2021. 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
Proforma Schedule of Revenues and Expenditures
Proposed FY 2017 through Proforma FY 2021**

	Proposed FY 2017	Proforma FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021
Debt Service Division					
Assessed Property Valuation change	4%	3%	3%	3%	3%
Tax Increment Financing (TIF) Revenue	\$1,482,031	\$1,526,492	\$1,572,287	\$1,619,455	\$1,668,039
CRA Lease Payments (Debt Service)	1,338,313	1,379,439	1,423,924	1,471,648	1,517,548
Revenues in Excess of Debt Svc	143,718	147,053	148,363	147,807	150,491
Reserve - TIF for Debt Svc (Beg)	216,384	360,102	507,155	655,518	803,325
Reserve - TIF for Debt Svc (End)	\$360,102	\$507,155	\$655,518	\$803,325	\$953,816
Herald Court Operations Division					
Herald Court Revenues	\$236,775	\$240,196	\$241,196	\$241,596	\$246,646
Herald Court Operating Expenditures	181,476	193,431	202,061	210,319	219,013
Revenues in Excess of Herald Ct Operations	55,299	46,765	39,135	31,277	27,633
Reserve - Herald Ct (Beg)	63,303	118,602	165,367	204,502	235,779
Reserve - Herald Ct (End)	\$118,602	\$165,367	\$204,502	\$235,779	\$263,412

Proforma continued on next page

Proforma continued from previous page

	Proposed FY 2017	Proforma FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021
CRA Operations Division					
Other CRA Revenues	\$108,652	\$109,588	\$110,533	\$111,486	\$112,448
Other CRA Operating Expenditures	151,100	154,013	157,013	160,104	163,287
Revenues in Excess (Shortfall) of Other Operations	(42,448)	(44,425)	(46,480)	(48,618)	(50,839)
Reserve - Other Operations (Beg)	560,192	517,744	473,319	426,839	378,221
Reserve - Other Operations (End)	\$517,744	\$473,319	\$426,839	\$378,221	\$327,382

Utilities

The FY 2017 spending plan for Utilities operations, maintenance and repair (O M & R) is \$15,974,624 which is \$373,100 or 2.4% greater than budget FY 2016. Increases in operational expenses are due to aforementioned changes to employee compensation and an increase of two plant trainee positions (\$242,000), operating expenses (\$245,000), and an increase for contribution to regional pipeline project (\$1.5 million). Mitigating these increases are a decrease in debt service of \$1.5 million due to delay of financing need and a reduction of \$100,000 in capital transfers.

Utilities O M & R Fund Revenue and Expense Comparison Actual FY 2014 through Budget FY 2017

	Actual FY 2014	Actual FY 2015	Budget FY 2016	Projected FY 2016	Budget FY 2017
Revenues:					
Chg for Service - Water	\$ 8,305,917	\$ 8,587,022	\$ 8,855,494	\$ 8,855,494	\$ 9,113,332
Chg for Service - Sewer	6,289,711	6,402,527	6,692,333	6,692,333	6,894,705
Other	646,646	1,128,113	1,444,805	1,348,540	412,600
Subtotal	15,242,274	16,117,662	16,992,632	16,896,367	16,420,637
Reserves	3,123,631	3,730,864	3,665,140	4,523,219	6,298,893
Total Revenues	\$18,365,905	\$19,848,526	\$20,657,772	\$21,419,586	\$22,719,530
Expenses:					
Administration	\$ 1,240,726	\$ 1,351,488	\$ 1,462,038	\$ 1,431,987	\$ 1,531,754
Water	4,829,643	5,008,547	4,954,611	4,928,841	5,108,080
Wastewater	4,329,494	4,606,276	4,946,299	5,029,701	5,066,950
Other	592,684	529,976	640,620	692,208	705,840
Debt & Debt Trsfers	783,111	782,840	1,842,956	782,956	402,000
Transfer for Capital	2,859,383	3,046,180	1,755,000	1,755,000	1,660,000
Contribution for Pipeline				500,000	1,500,000
Subtotal	14,635,041	15,325,307	15,601,524	15,120,693	15,974,624
Reserves	3,730,864	4,523,219	5,056,248	6,298,893	6,744,906
Total Expenses	\$18,365,905	\$19,848,526	\$20,657,772	\$21,419,586	\$22,719,530

The current five-year financial forecast is based on 2-day per week watering; average rainfall; and new financing based on the FY 2017-2021 capital improvement plan. The City Council adopted a financial policy in March 2014 to fund \$1,120,000 with current revenues those expenses for recurring line and lift station repairs and replacements. Based on the 2015 Rate Sufficiency Study by Burton & Associates

with a 50% grant for the RO plant, the current proforma includes the recommendation to increase the water and sewer rates in FY 2017 and FY 2018 by a 2% factor. See unresolved issues at the end of this budget message for additional rate discussion. With the proposed rate changes, the projected revenues and reserves as shown are sufficient to fund the FY 2017-2021 capital improvements plan.

**Utilities OM&R Fund
Proforma Schedule of Revenues and Expenses
Proposed FY 2017 through Proforma FY 2021**

	Proposed FY 2017	Proforma FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021
Rate Change Under Discussion	2%	2%			
Revenues:					
Chg for Service - Water	\$9,113,332	\$9,379,539	\$9,473,334	\$9,568,067	\$9,663,748
Chg for Service - Sewer	6,894,705	7,101,547	7,172,562	7,244,288	7,316,731
Other Revenue	412,600	686,012	686,951	687,919	688,915
Total Revenues	16,420,637	17,167,098	17,332,847	17,500,274	17,669,394
Expenses:					
Operations	12,412,625	12,919,715	13,417,606	13,882,730	14,349,913
Renewal & Replacement of Infrastructure	1,120,000	1,120,000	1,120,000	1,120,000	1,120,000
Transfer for Capital Improvement Projects	540,000	490,000	215,000	170,000	1,225,000
Existing Debt Service	200,000	200,000	200,000	200,000	200,000
New Debt Service - CIP	202,000	1,572,000	1,572,000	1,572,000	1,572,000
Contribution to Pipeline Project	1,500,000				
Transfer to SRF Reserve Fund		1,370,000			
Total Expenses	15,974,625	17,671,715	16,524,606	16,944,730	18,466,913
Revenues in Excess (Shortfall) of Expenses	446,012	(504,617)	808,241	555,544	(797,519)
Operating Reserves-Beg	6,298,893	6,744,905	6,240,288	7,048,529	7,604,073
Operating Reserves-End	\$6,744,905	\$6,240,288	\$7,048,529	\$7,604,073	\$6,806,554

Utilities Reserves

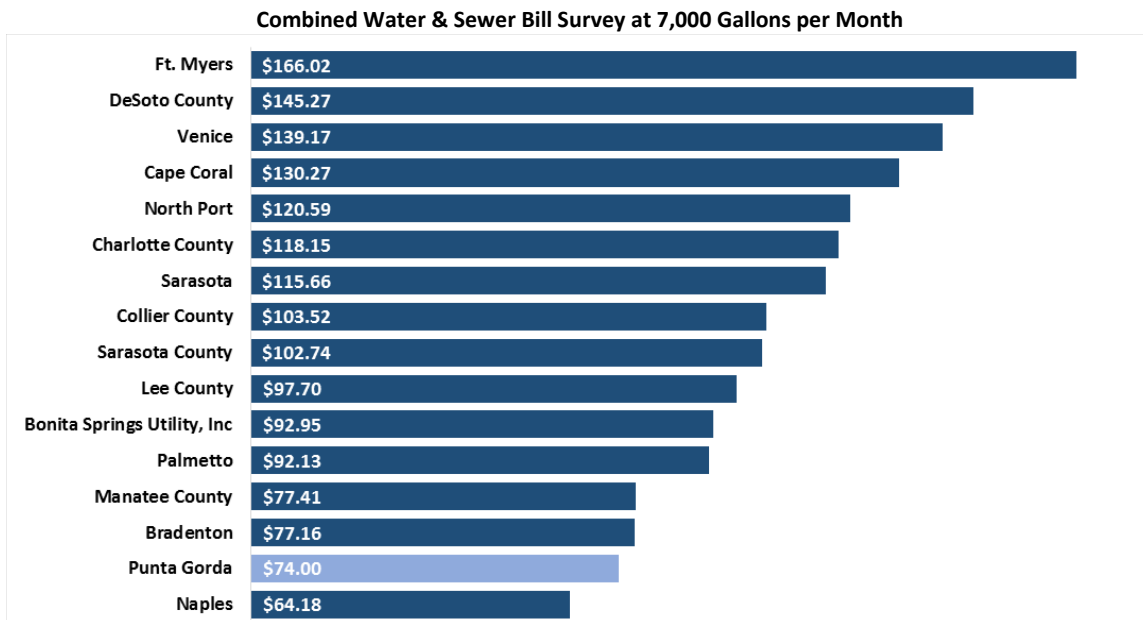
The City has legal and adopted financial policies utilizing reserves for the following purposes:

- 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 \$522,000 funding level in FY 2017. Starting in FY 2018 the funding level for the Capital Outlay reserve is \$600,000 with a growth factor of \$50,000 on an annual basis. If the funds are not spent in the budgeted fiscal year, they will be placed in the Capital Outlay reserves. This will ensure that current and future aging issues of mechanical parts in both plants can be addressed in an adequate manner.

- Existing SRF reserve fund maintains one year of debt service payments and proforma shows addition of \$1,370,000 in FY 2018, representing one year of debt service on the new SRF loan.
- The water and sewer impacts have restricted use and are kept in a reserve for growth related capital projects, such as the new R.O. plant and planned wastewater force main on Jones Loop Road.

Utilities Rate Comparison

The City’s utility rates are the 2nd lowest among the Southwest Florida utilities surveyed at the current FY 2016 rates.



The survey also gathered information available regarding FY 2017 expected rate increases. Findings indicated that the other entities in the area are expected to increase their rates between 2% to 6%. With the City’s 2% to 4 % proposed rate increase - Council is considering an additional capital projects that would necessitate maintaining the 4% increase, it is anticipated that the City will continue to remain one of the lowest cost service providers in the area.

Entity	FY 2017 Increase
Ft. Myers	5%
DeSoto County	5%
Venice	3%
Cape Coral	No Increase
North Port	3.5% W, 1.5% WW
Charlotte County	1% W, 6% WW
Sarasota	Unknown
Collier County	Unknown
Sarasota County	No Increase
Lee County	No Increase
Bonita Springs Utility, Inc	No Increase
Palmetto	4%
Manatee County	No Increase
Bradenton	No Increase
Punta Gorda	2%-4%
Naples	No Increase

Utilities Construction

Significant capital projects currently in progress that will be carried over to FY 2017 are the Raw Water Pump Station upgrade and the RO Deep Injection Well.

Total FY 2017 capital projects of \$20.8 million are being funded with \$9.6 million of financing and \$9.6 million SWFWMD grant (for the RO project), \$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.

The Groundwater Reverse Osmosis (RO) Water Treatment Plant project costs are in the engineering estimate phase. The \$6.3 million budgeted between FY 2014 and 2016 are to design, test, and construct the well field, which is an integral component of the RO project and for the engineering firm contracted to oversee all aspects of the RO project, including design of the plant and construction. The \$6.7 million budgeted in FY 2016 is for the deep injection well design and construction. The \$19.2 million budgeted in FY 2017 represents the planning number at the 30% engineering estimate for the RO plant construction. In September the 60% engineering estimate will be available.

**Utilities Construction Fund
Proforma Schedule of Revenues and Expenses
Proposed FY 2017 through Proforma FY 2021**

	Proposed FY 2017	Proforma FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021
Revenues:					
Transfer from Utilities OM&R	\$1,660,000	\$1,610,000	\$1,335,000	\$1,290,000	\$2,345,000
Intergovernmental Revenue	9,589,500				
Financing Revenue	9,589,500				
Total Revenues	20,839,000	1,610,000	1,335,000	1,290,000	2,345,000
Expenses:					
Water Treatment Plant Imprv	19,504,000		25,000	50,000	1,025,000
Water Distribution System	220,000	120,000	120,000	120,000	120,000
Wastewater Collection System	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Wastewater Treatment Plant Imprv	115,000	490,000	190,000	120,000	200,000
Total Expenses	20,839,000	1,610,000	1,335,000	1,290,000	2,345,000
Revenues in Excess of Expenses	\$0	\$0	\$0	\$0	\$0

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 11,500 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 2017 with a proposed rate increase of \$0.75 per month or \$9.00 per year, due to a contract increase. The budget also reflects a 10-year fleet replacement program, lengthened from a 7-year cycle. The four packers scheduled for replacement in FY 2016 will carry over to FY 2017 while

the City considers a possible new service delivery, changing from manual collection to semi-automated or fully automated packers. The proposed FY 2017 budget shown below does not reflect the change in packer type and service delivery method as these options are still being explored. As with the general and utility fund, City Council has approved funding of a capital outlay reserve in order to stabilize the funding source. As shown in the proforma, the capital outlay reserve is funded each year until FY 2020, at which time the reserve will be used to pay for the replacement of 3 packers.

**Sanitation Fund
Proforma Schedule of Revenues and Expenses
Proposed FY 2017 through Proforma FY 2021**

	Proposed FY 2017	Proforma FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021
Revenues:					
Chg. for Service - Refuse Collection	\$3,297,700	\$3,408,294	\$3,519,152	\$3,630,275	\$3,741,668
Other Revenue	24,375	24,375	24,375	21,375	21,375
Total Revenues	3,322,075	3,432,669	3,543,527	3,651,650	3,763,043
Expenses:					
Operations	3,048,546	3,216,036	3,387,592	3,564,196	3,746,037
Capital				750,000	
Total Expenses	3,048,546	3,216,036	3,387,592	4,314,196	3,746,037
Revenues in Excess (Shortfall) of Expenses	273,529	216,633	155,935	(662,546)	17,006
Operating Reserves-Beg	671,386	744,915	736,548	667,483	754,937
Capital Outlay Reserves-Beg	100,000	300,000	525,000	750,000	0
Capital Outlay Reserves-End	\$300,000	\$525,000	\$750,000	\$0	\$250,000
Operating Reserves-End	\$744,915	\$736,548	\$667,483	\$754,937	\$521,943

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

Sanitation Rate Comparison for FY 2017

Jurisdiction	Proposed FY 2017 Cost/Year	Frequency of Service per Week	Outsourced
Sarasota County	\$159.48	1	Yes
Cape Coral	\$163.43	1	Yes
Manatee County	\$171.96	2	Yes
Charlotte County	\$172.00	1	Yes
Collier County	\$188.29	2	Yes
Venice	\$202.08	2	No
Fort Myers	\$228.96	1	No
Punta Gorda	\$248.40	2	No
North Port	\$249.00	1	No
Naples	\$255.25	2	No
City of Sarasota	\$259.92	1	No

Punta Gorda Isles Canal Maintenance District

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

The five-year proforma maintains the \$550 assessment in FY 2017 and then tentatively proposes a \$30 increase, beginning in FY 2018 in anticipation of increased costs for seawall replacement due to loss of vacant staging sites. Replacement of one vehicle is included in capital outlay in FY 2020.

**PGI Canal Maintenance Fund
Proforma Schedule of Revenues and Expenditures
Proposed FY 2017 through Proforma FY 2021**

	Proposed FY 2017	Proforma FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021
Operating Rate	\$550	\$550	\$550	\$550	\$550
Proforma Seawall Replacement		\$30	\$30	\$30	\$30
Reserve Rate					
Revenues:					
Operating Assessment	\$2,861,750	\$3,011,750	\$3,011,750	\$3,011,750	\$3,011,750
Other Revenue	5,650	7,390	9,360	10,575	11,125
Total Revenues	2,867,400	3,019,140	3,021,110	3,022,325	3,022,875
Expenditures:					
Operations	899,997	918,602	949,741	982,221	1,016,116
Inlet Dredging	40,000	41,200	42,436	43,709	45,020
Seawalls & Caps R&M	1,760,000	1,812,800	1,867,210	1,923,220	1,980,910
Capital				35,000	
Total Expenditures	2,699,997	2,772,602	2,859,387	2,984,150	3,042,046
Revenues in Excess (Shortfall) of Expenditures	167,403	246,538	161,723	38,175	(19,171)
Operating Reserves-Beg	604,205	621,608	718,146	729,869	668,044
Resrv Seawall Replace-Beg		150,000	300,000	450,000	550,000
Resrv Seawall Replace-End	\$150,000	\$300,000	\$450,000	\$550,000	\$650,000
Operating Reserves-End	\$621,608	\$718,146	\$729,869	\$668,044	\$548,873

Results from the last comprehensive inspection of seawalls and seawall caps in FY 2016 are as follows:

Ratings of PGI Cap and Seawall Conditions

Seawall Cap:

Good condition: 461,511 ft. = 87.4 miles = 96.1%
 Good needs repair: 2,212 ft. = 0.4 miles = 0.4%
 Needs replacement: 9,492 ft. = 1.8 miles = 2.0%
 Unable to assess: 7,037 ft. = 1.3 miles = 1.5%

Seawall:

Good condition: 400,029 ft. = 75.8 miles = 83.3%
 Needs monitored: 73,364 ft. = 13.9 miles = 15.3%
 Needs replacement: 0 ft. = 0.0 miles = 0.0%
 Unable to assess: 6,859 ft. = 1.3 miles = 1.4%

This information has been placed in the City’s Geographic Information System database and is used to prioritize future repairs/replacement and budget needs. A new comprehensive inspection is scheduled for FY 2017.

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 increase the annual operating assessment \$110, from \$460 to \$570.

**BSI Canal Maintenance Fund
Proforma Schedule of Revenues and Expenditures
Proposed FY 2017 through Proforma FY 2021**

	Proposed FY 2017	Proforma FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021
Operating Rate	\$460	\$460	\$460	\$460	\$460
Dredging Rate	\$110	\$110	\$110	\$110	\$110
Revenues:					
Operating Assessment	\$474,800	\$474,800	\$474,800	\$474,800	\$474,800
Dredging Assessment	109,507	109,507	109,507	109,507	109,507
Other Revenue	1,150	1,740	2,180	2,600	3,000
Financing	451,000				
Total Revenues	1,036,457	586,047	586,487	586,907	587,307
Expenditures:					
Operations	91,327	93,350	95,442	97,605	99,842
Inlet Dredging		38,000	38,000	38,000	38,000
Seawalls & Caps R&M	311,000	311,000	311,000	311,000	311,000
Perimeter Dredging Project	560,000				
Debt Service		99,900	99,900	99,900	99,900
Total Expenditures	962,327	542,250	544,342	546,505	548,742
Revenues in Excess (Shortfall) of Expenditures	74,130	43,797	42,145	40,402	38,565
Operating Reserves-Beg	34,363	63,493	62,290	59,435	54,837
Resrv Seawall Replace-Beg	45,000	90,000	135,000	180,000	225,000
Resrv Seawall Replace-End	\$90,000	\$135,000	\$180,000	\$225,000	\$270,000
Operating Reserves-End	\$63,493	\$62,290	\$59,435	\$54,837	\$48,402

The increase will provide funding for the perimeter dredging project. The current assessment covers personnel costs and will initiate development of a seawall replacement reserve in anticipation of increased operating costs due to pending reduction in available staging lots.

The following information has been placed in the City’s Geographic Information System database and is used to prioritize future repairs/replacement and budget needs. A new comprehensive inspection is scheduled for FY 2017.

Results from the last comprehensive inspection of seawalls and seawall caps in FY 2016 are as follows:

Ratings of BSI Cap and Seawall Conditions

Seawall Cap:

Good condition: 94,241 ft.= 17.8 miles = 99.1%
 Good needs repair: 473 ft. = 0.1 miles = 0.5%
 Needs replacement: 264 ft. = 0.1 miles = 0.3%
 Unable to assess: 64 ft. = 0.0 miles = 0.1%

Seawall:

Good condition: 85,102 ft. = 16.1 miles = 89.5%
 Needs monitored: 9,876 ft. = 1.9 miles = 10.4%
 Needs replacement: 0 ft. = 0.0 miles = 0.0%
 Unable to assess: 64 ft. = 0.0 miles = 0.1%

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 2017 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 has been awarded a Department of Environmental Protection Clean Vessel Act (CVA) Grant and a Charlotte County Marine Advisory Committee (MAC) Grant for FY 2017 to offset costs of maintenance and repairs of the Laishley Park Municipal Marina Pumpout Boat.

**Laishley Park Marina Fund
 Proforma Schedule of Revenues and Expenses
 Proposed FY 2017 through Proforma FY 2021**

	Proposed FY 2017	Proforma FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021
Revenues:					
Slip & Mooring Rentals	\$436,600	\$438,000	\$439,540	\$441,234	\$443,097
Intergovernmental Revenue	11,649	7,000	7,000	7,000	7,000
Other Revenue	30,750	28,550	28,550	28,550	28,550
Total Revenues	478,999	473,550	475,090	476,784	478,647
Expenses:					
Laishley Park Marina Expenses	188,122	190,536	194,426	198,503	202,782
Marina Park Contract Expenses	238,500	239,515	245,710	252,092	258,665
Capital Outlay	18,000	6,000	6,000	6,000	6,000
Total Expenses	444,622	436,051	446,136	456,595	467,447
Revenues in Excess (Shortfall) of Expenses	34,377	37,499	28,954	20,189	11,200
Operating Reserves-Beg	262,660	297,037	334,536	363,490	383,679
Operating Reserves-End	\$297,037	\$334,536	\$363,490	\$383,679	\$394,879

The five-year proforma maintains the July 2016 rate schedules. Operations have been increased to allow for dredging, dock and mooring field maintenance. Based on current usage the fund is self-sustaining for operations. FY 2017 Capital outlay includes the replacement of the golf cart and WI-FI upgrade and FY 2018-2021 are for general marina upgrades.

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.

The FY 2017 budget assumes continued growth in permit revenues. Permit fees will remain the same. The five year proforma projects permit revenues increasing approximately 4-5% in FY 2017 through FY 2019 and remaining level in FY 2020 and FY 2021. A staffing level change to add an inspector and clerk are projected in FY 2019. The City will continue to monitor activity and may adjust work schedules or staffing levels in the future if activity warrants and revenues allow. Capital outlay is projected for replacement of one vehicle per year FY 2017 through FY 2019. 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 2017 through Proforma FY 2021

	Proposed FY 2017	Proforma FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021
Revenues:					
Permits, Fees & Special Assmnts.	\$847,500	\$877,500	\$917,500	\$917,500	\$917,500
Other Revenue	28,000	26,000	26,000	26,000	26,000
Total Revenues	875,500	903,500	943,500	943,500	943,500
Expenses:					
Operations	849,661	874,888	1,032,911	1,065,029	1,098,384
Capital	25,000	25,000	25,000		
Total Expenses	874,661	899,888	1,057,911	1,065,029	1,098,384
Revenues in Excess (Shortfall) of Expenses	839	3,612	(114,411)	(121,529)	(154,884)
Operating Reserves-Beg	927,183	928,022	931,634	817,223	695,694
Operating Reserves-End	\$928,022	\$931,634	\$817,223	\$695,694	\$540,810

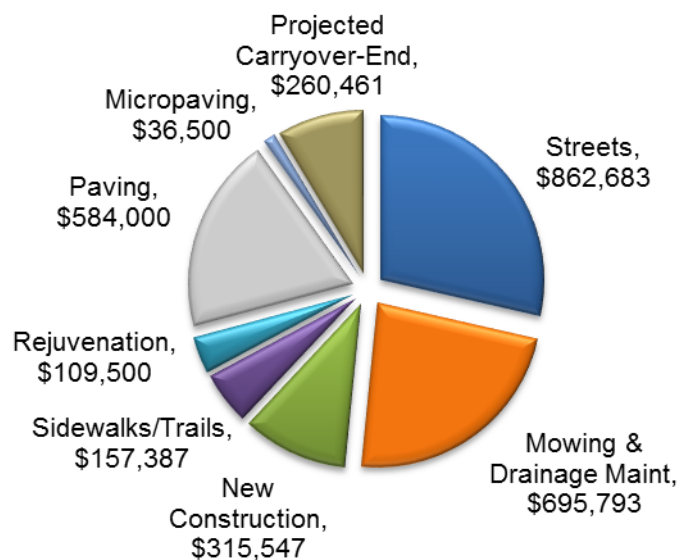
Gas Tax

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

Fiscal Year	6 Cents	5 Cents	Total
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	\$ 526,830	\$ 243,574	\$ 770,404
2014	\$ 548,919	\$ 259,217	\$ 808,136
2015	\$ 573,028	\$ 266,710	\$ 839,738
2016	\$ 570,000	\$ 267,000	\$ 837,000
2017	\$ 575,000	\$ 271,000	\$ 846,000

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 following graph depicts the cost of services related to all Right of Way activities, both those budgeted in the gas tax funds and in the general fund.



* 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 through FY 2021.

**Six Cent Gas Tax Fund
Proforma Schedule of Revenues and Expenditures
Proposed FY 2017 through Proforma FY 2021**

	Proposed FY 2017	Proforma FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021
Revenues:					
Local Option Gas Tax	\$575,000	\$577,000	\$579,000	\$581,000	\$583,000
Other Revenue	221,828	221,828	221,828	221,828	221,828
Total Revenues	796,828	798,828	800,828	802,828	804,828
Expenditures:					
Operating Expenditures	776,839	796,735	827,333	858,557	890,414
Total Expenditures	776,839	796,735	827,333	858,557	890,414
Revenues in Excess (Shortfall) of Expenditures	19,989	2,093	(26,505)	(55,729)	(85,586)
Operating Reserves-Beg	219,430	239,419	241,512	215,007	159,278
Operating Reserves-End	\$239,419	\$241,512	\$215,007	\$159,278	\$73,692

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 2017 through Proforma FY 2021**

	Proposed FY 2017	Proforma FY 2018	Proforma FY 2019	Proforma FY 2020	Proforma FY 2021
Revenues:					
Local Option Gas Tax	\$271,000	\$271,000	\$272,000	\$274,000	\$276,000
Transfer from General Fund Ad Valorem	459,000	459,000	459,000	459,000	459,000
Total Revenues	730,000	730,000	731,000	733,000	735,000
Expenditures:					
Paving	730,000	730,000	731,000	733,000	735,000
Total Expenditures	730,000	730,000	731,000	733,000	735,000
Revenues in Excess (Shortfall) of Expenditures	0	0	0	0	0
Operating Reserves-Beg	21,042	21,042	21,042	21,042	21,042
Operating Reserves-End	\$21,042	\$21,042	\$21,042	\$21,042	\$21,042

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 \$14.6 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 include:

- Complete Street Improvement Projects
- Stormwater Improvements
- Punta Gorda Pathways Enhancements
- Fleet, Information Technology, and Public Safety Equipment
- Project Management

The following projects will continue during FY 2017:

- Corto Andra/Boca Grande Stormwater Design
- Gilchrist Park Playground and Restrooms
- Harborwalk-US41 SB Bridge Underpass
- Sidewalk Improvements
- Digital Phone System and Video Equipment Replacement
- Police and Fire Fleet Replacement

DEBT MANAGEMENT

As of September 30, 2015 the City had \$19.9 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 2016 budget anticipates financing in the amount of \$7.2 million for the wastewater filtration/disinfection system and RO well field and deep injection wells. In addition, the proposed FY 2017 budget anticipates \$9.6 million for the construction of the RO plant. Debt service associated with all of the above financing will be repaid with water & sewer user fees.

UNRESOLVED ISSUES

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

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 could take up to two years before the City receives a decision by permitting agencies. Still to be

finalized are adoption of the methodology to be used to assess benefitted properties, agreement with the property owner where the desired route is located, and final project costs.

Ponce de Leon Park – City Council approved the selection of CPH Engineers in May 2016 as the top ranked firm for the redesign of the park. No cost estimate for the park changes is available at this time.

Annexation – Annexation proposals from Charlotte Memorial Gardens and Walmart are still under review by both proprietors. In 2012 the ratio of residential to non-residential property valuation was 87.2% to 12.8%. By 2016 the residential ratio moved upward, with a 90.4% to 9.6% ratio. The City's strategic goal is to attain a 75% to 25% ratio. Both of the mentioned commercial proprietors would be welcomed by the City.

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. Construction of Phase 1 improvements (entranceway, restrooms, Scotty's Brewhouse, center deck and Harborwalk) are well underway. Phase 2 improvements (mixed-use building, parking, swimming pool and recreation) are pending finalization of the property owner's ability to obtain clear title and complete the purchase.

Bicycle Capital Improvements – In June 2016, City Council conducted a workshop to garner additional public input into proposed bicycle improvements that would establish a minimum grid connecting the City's neighborhoods with the Punta Gorda Pathway system. The Plan is anticipated to be revisited in September 2016, in an effort to finalize projects to be undertaken.

Police Union Contract Negotiations - The City and Police bargaining unit are currently in negotiations for a new contract to begin October 1, 2016. The proposed budget includes funding for the status-quo.

Automated Meter Reading – The current delivery model outsources meter reading to a private firm using hand held devices to read each meter. The City is in the process of exploring a more automated system in order to enhance efficiencies and more accurate reads and have the ability to inform the customer of leak-related issues in a timely manner. Staff plans to present the opportunity to the Utility Advisory Board for review and comment prior to a presentation before City Council.

RO Plant Construction – 60% and 100% engineering estimates for RO plant construction are still to be determined. Adjustment to the FY 2017 budget may be necessary and would be discussed with the Utilities Advisory Board and presented to City Council for further action.

Sanitation Service Delivery – A possible new service delivery to change from manual collection to semi-automated or fully automated packers is being considered. The proposed FY 2017 budget does not reflect the change in packer type and service delivery method as these options are still being explored. Staff will be presenting additional information to City Council for implementation and cost of fully automated refuse pickup.

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 plan to 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 2017.

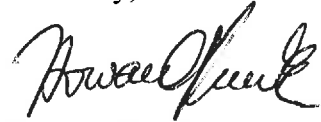
Sincerely,

Howard Kunik
City Manager

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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 2017.

Sincerely,

A handwritten signature in black ink, appearing to read "Howard Kunik". The signature is fluid and cursive, with the first name "Howard" being more prominent than the last name "Kunik".

Howard Kunik
City Manager