

## **The City of Punta Gorda Long-Range Financial Plan**

In January 2008, the City published its first Business Plan which incorporated economic and financial strategies and key performance measures into a single document. In order to augment the Plan's financial strategy component, a long-range financial perspective has been developed to assist management in the planning and allocation of resources to achieve the City Council's goal of maintaining fiscally responsible decision making within all sectors of the organization. The Plan provides us with an opportunity to change or influence current policies and practices before they create critical fiscal strains on the budgetary fabric. The best informed, fiscally sensitive decisions will be those deliberated with their longer-term implications in mind.

### **Forecast Assumptions**

Multi-year fiscal forecasts are based on revenue and expenditure assumptions using best available trends data. Assumptions used in the long range financial plan are delineated below.

#### *Revenues*

- Property Tax revenue is forecasted to be the same from FY 2010 through FY 2013. Any reductions in taxable property value are offset by new construction thereby keeping the millage rate at the FY 2009 level, and any increases in taxable value/new construction are offset by a millage rate reduction. The ability for new construction to offset existing property value reductions may be difficult to achieve in FY 2010.
- Public Service (Utility Tax), Franchise Fees, and Intergovernmental Revenue are forecasted at a 1.8% average increase per year.
- Administrative Charges from enterprise operations to the general fund are forecasted at a 2% average increase per year.
- Water & Sewer Fees are forecasted using FY 2009 rates and a modest 0.4% average increase per year based on limited customer growth and/or usage.
- Sanitation revenues are forecasted at FY 2009 rates and a 2% average increase per year.
- Building fees are forecasted at a 1.5% average increase per year.
- Punta Gorda Isles and Burnt Store Isles canal maintenance fees are forecasted at retaining FY 2009 rates.
- Gas Tax revenue is forecasted at a 1.5% average increase per year.

#### *Expenditures*

- Salaries are forecasted at an increase of 3% per year.
- Benefits (health insurance, pension, workers compensation) are forecasted to increase an average of 5% per year.

- Operating costs are forecasted to increase an average of 3% per year.
- Debt Service payments are based on a combination of existing debt issuance obligations and future borrowings.
- Capital Outlay expenses are based on anticipated equipment replacement.

### General Fund

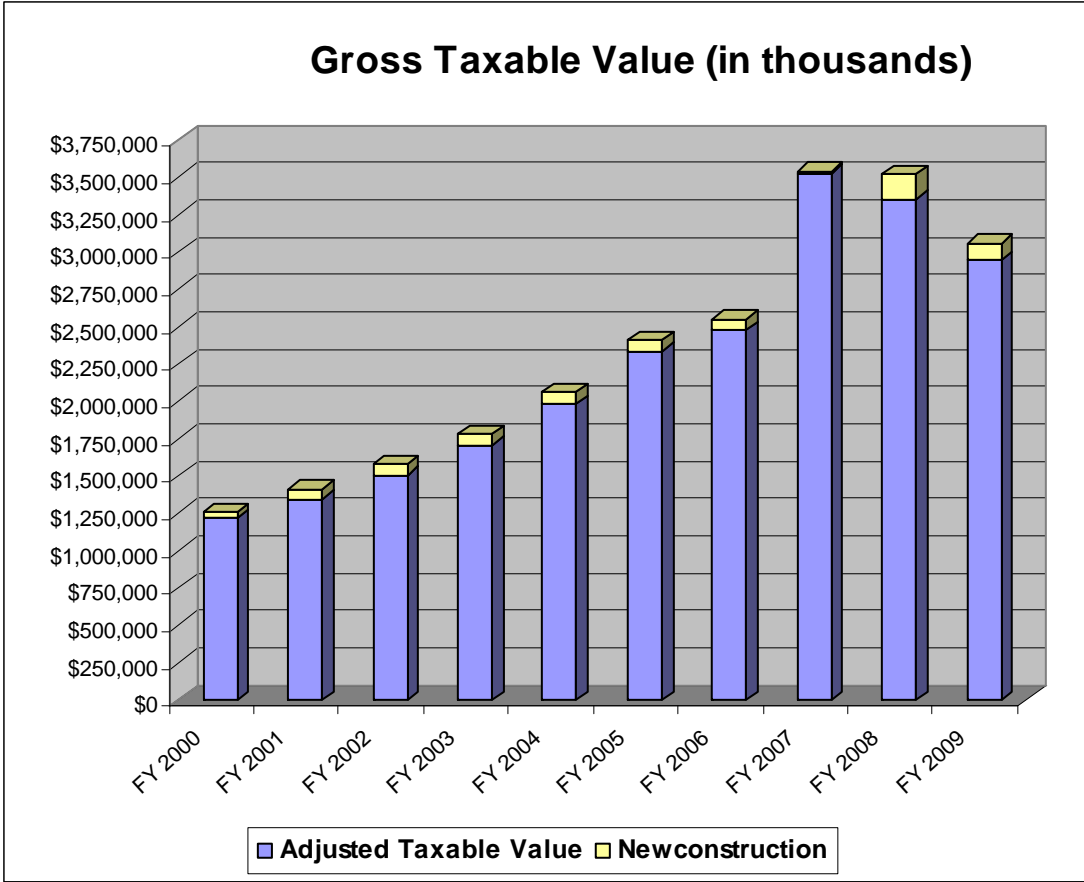
The Plan forecasts that our current revenue base will not support the existing level of municipal services through 2013. Annual deficits are projected in the range of \$1.3 million to \$3.2 million from FY 2010 through FY 2013. The deficit forecasted in FY 2009 is due to an early trend (two months) of revenues being realized less than budget. Revenue trends through November 2008 show an estimated \$416,000 shortfall compared to FY 2009 budget projections, primarily in interest earnings, sales tax and electric utility taxes. Should this trend materialize over the next few months, we will bring back to Council a combination of expenditure reductions and use of additional reserves to eliminate the projected gap. The Plan model is a “baseline” projection; that is, future revenues and expenditures are estimated based on the City’s current sources of revenue and level of services.

Category	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
<b>Revenues</b>					
Property Taxes	\$7,574,122	\$7,609,122	\$7,609,122	\$7,609,122	\$7,609,122
Other Taxes	2,508,670	2,553,073	2,598,263	2,644,252	2,691,055
Fees, Licenses	1,500,925	1,527,491	1,554,528	1,582,043	1,610,045
Intergovernmental	1,687,550	1,718,234	1,748,647	1,779,598	1,811,096
ISS Tax	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Charges, Fines & Forfeits	537,350	466,861	442,725	421,401	402,716
Administrative Fee	2,593,145	2,670,939	2,751,068	2,833,600	2,918,608
Other Revenue	480,535	435,340	439,694	444,091	448,532
Use of Carryover Funds	193,601				
<b>Total</b>	<b>\$19,075,898</b>	<b>\$18,981,060</b>	<b>\$19,144,047</b>	<b>\$19,314,107</b>	<b>\$19,491,174</b>
<b>Expenditures</b>					
Personnel	\$12,442,371	\$12,940,066	\$13,457,668	\$13,995,975	\$14,555,814
Operating	4,398,291	4,574,223	4,757,192	4,947,479	5,145,378
Capital Outlay	226,825	151,880	151,936	216,994	217,054
Transfers	2,289,797	2,584,144	2,613,899	2,560,723	2,778,515
Other	134,555	69,666	63,134	25,000	25,000
<b>Total</b>	<b>\$19,491,839</b>	<b>\$20,319,979</b>	<b>\$21,043,829</b>	<b>\$21,746,171</b>	<b>\$22,721,761</b>
<b>Surplus (Shortfall)</b>	<b>(\$415,941)</b>	<b>(\$1,338,919)</b>	<b>(\$1,899,782)</b>	<b>(\$2,432,064)</b>	<b>(\$3,230,587)</b>

*Property Values*

Changes in taxable assessed property value continue to contribute a major influence on financial planning and budget preparation. Taxable property value (FY 2009) decreased Citywide by 12.2% and in the Community Redevelopment Area by 15.2% from the previous fiscal year. Values decreased by 4.6% Citywide and 2.3% CRA during FY 2008. These declines are in contrast to increases averaging 27.3% during the period 2000-2007. It is anticipated that there will be a further decline of property values in calendar year 2009, which will be reflected in lower taxable value for FY 2010.

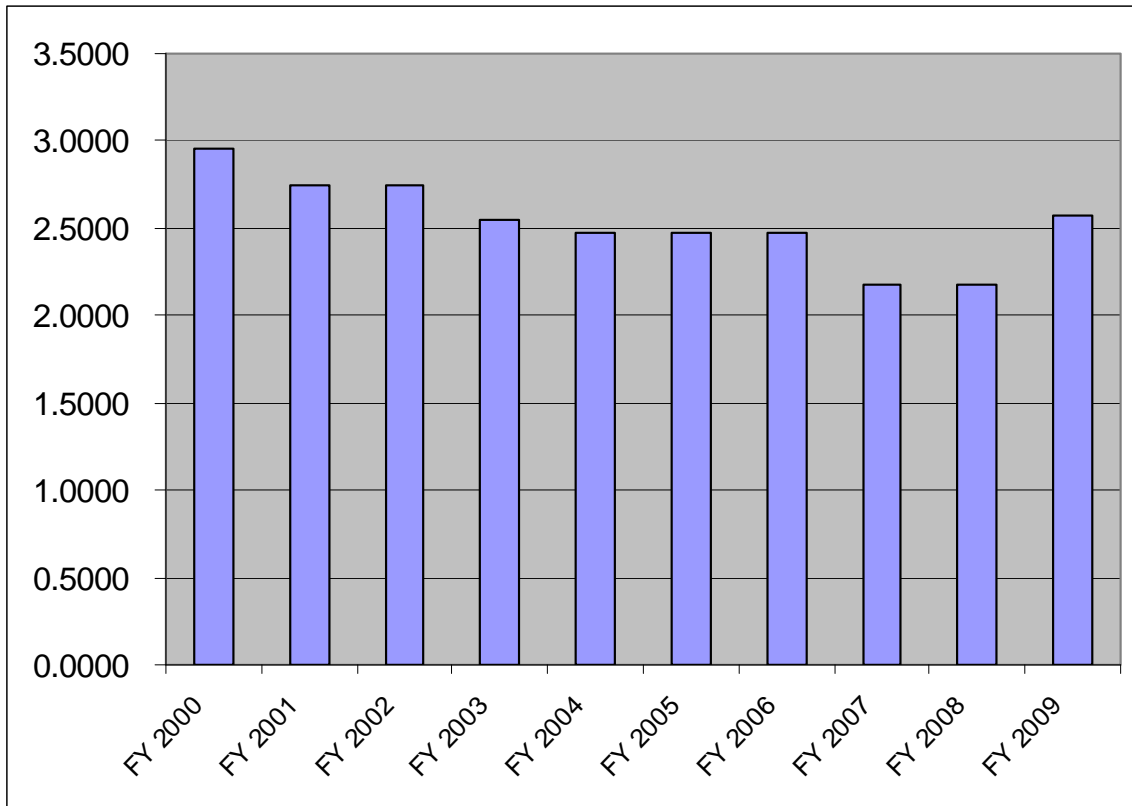
<b>City of Punta Gorda, FL Certification of Taxable Value (expressed in thousands) Per Charlotte Co. Property Appraiser DR420</b>			
<b>Fiscal Year</b>	<b>Adjusted Taxable Value</b>	<b>New Construction</b>	<b>Gross Taxable Value</b>
FY 2000	\$1,216,483	\$38,871	\$1,255,354
FY 2001	1,345,791	65,871	1,411,662
FY 2002	1,508,425	72,205	1,580,630
FY 2003	1,705,542	79,739	1,785,281
FY 2004	1,980,989	79,560	2,060,549
FY 2005	2,339,290	69,192	2,408,482
FY 2006	2,480,741	70,755	2,551,496
FY 2007	3,528,967	13,851	3,542,818
FY 2008	3,353,613	168,546	3,522,159
FY 2009	2,946,985	115,280	3,062,265



*Adjustments to Property Tax Millage*

On September 19, 2007, City Council adopted a FY 2008 property tax rate of 2.1728 mills, which was 5% less than the roll back rate of 2.2872 and 0.2% less than the then current millage rate of 2.1772. The millage rate was in accordance with recently adopted State tax reform legislation that mandated establishment of a property tax rate that resulted in 5% less tax revenues, minus new construction, than the current year. The FY 2009 millage rate of 2.5689 mills, adopted on September 17, 2008, was based on the premise that City Council adopted a property tax rate that resulted in the same revenues, sans new construction, as the current year. This is referred to as the rolled back rate. The millage rate increase was the first such increase since 1995.

**Property Tax Millage Rates  
Fiscal Year 2000 through Fiscal Year 2009**



2.9565 2.7419 2.7419 2.5446 2.4772 2.4772 2.4772 2.1772 2.1728 2.5689

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.

As stated above, property values experienced a decline in the City of Punta Gorda for the second straight year, which was in direct contrast to property value increases in the last number of years (especially since Hurricane Charley). With the approval of a 2.5689 millage rate, property owners once again realized a varying degree of tax increase or decrease depending on level of taxable value reduction, homestead status and difference between assessed value and taxable value. The overall reduction of taxable value in the City was approximately 12%, which meant that property values actually dropped well over 20% on the average. Homestead property owners whose taxable value was still well below assessed value realized a 3% increase in taxable value due to “Save Our Homes” legislation. Non-homestead properties realized the entire reduction in property value on their tax bill, since they were not protected by “Save Our Homes” over the years. The increase in taxes paid by homestead property owners offset the reduction in taxes paid by non-homestead owners.

## *Fund Balance*

On April 19, 2006, City Council adopted a comprehensive set of financial management policies, one of which specifically addressed a fund balance or reserve objective:

*Policy: An adequate level of unreserved 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 follow the GFOA (Government Finance Officers Association) recommendation for a minimum level of unreserved fund balance for the General Fund. The GFOA states the unreserved fund balance for the General Fund should be five to fifteen percent of regular general fund annual operating revenues or one to two months of regular General Fund operating expenditures.*

The FY 2008 budget used \$1.1 million in reserves to assist in funding ongoing services, thereby reducing the 10% reserve target to the minimum 5% level recommended by the GFOA. The FY 2009 adopted spending plan maintains the 5% undesignated reserve level and uses approximately \$193,000 of reserves (over the 5% minimum target) for ongoing expenses. Once legislative tax reform issues are resolved and the economy rebounds from its recession, the Plan recommends a gradual increase in undesignated reserves more in line with national standards.

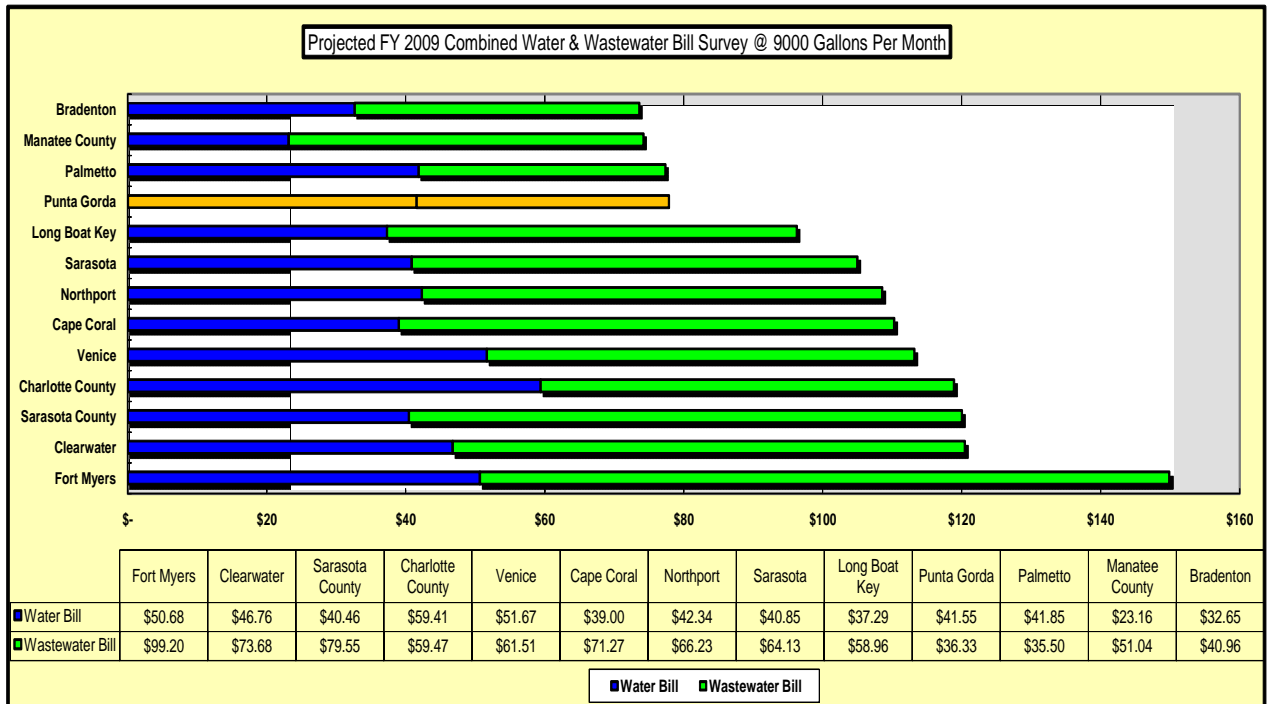
## **Water & Sewer Fund**

The City operates its water and sewer system as an enterprise fund and funds its operations primarily through user fees. The utility service area encompasses approximately 25 miles and extends beyond the corporate City limits. There are approximately 21,575 water accounts and 15,900 sewer accounts. Customers outside the corporate City limits pay a 25% surcharge.

In April 2002, the City issued \$16,200,000 in utility system refunding revenue bonds to refund all outstanding 1986 and 1992 bonds. The City pledged to maintain debt coverage ratios of 1.1 by net revenue. As shown below, adequate debt coverage ratios have been maintained over the years. The positive debt ratio in FY 2008 is primarily due to one-time contributed assets as opposed to recurring revenues over expenditures. For instance; without contributed assets, debt service coverage in FY 2008 would have been 1.3.

<b>Fiscal Year</b>	<b>Debt Coverage Ratio</b>
2008	4.3
2007	2.7
2006	3.6
2005	3.2
2004	3.0
2003	2.9
2002	3.6

In August 2008, the City increased rates by 15%, the first such increase since 1996, to match recurring revenues with recurring expenditures, fund priority capital improvements and meet bond covenants. Priority capital projects include Hendrickson Dam repairs and new spillway, water treatment improvements, Aquí Esta and Burnt Store Road utility line relocations, Booster Pumping Station Relief Force Main and East Side (U.S. 17) sewer improvements. Even with the 15% increase, the City's utility rates remain among the lowest Southwest Florida utilities surveyed.



Category	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
<b>Revenues</b>					
Water	\$7,254,600	\$7,272,600	\$7,290,781	\$7,327,235	\$7,382,189
Sewer	5,639,625	5,662,025	5,676,180	5,704,561	5,747,345
Other	449,509	378,442	364,767	346,339	353,171
Prior Yr's Reserves	261,009				
<b>Total</b>	<b>13,604,743</b>	<b>13,313,067</b>	<b>13,331,728</b>	<b>13,378,135</b>	<b>13,482,705</b>
<b>Expenditures</b>					
Personnel	5,354,380	5,568,555	5,791,297	6,022,949	6,263,867
Operating	4,586,416	4,415,008	4,547,459	4,933,882	4,864,399
Capital Outlay	129,579	500,000	500,000	500,000	500,000
Debt Service	1,494,988	2,842,851	3,644,173	5,467,351	6,801,602
Administrative Fee	2,039,380	2,100,561	2,163,578	2,228,486	2,295,340
<b>Total</b>	<b>13,604,743</b>	<b>15,426,975</b>	<b>16,646,507</b>	<b>19,152,668</b>	<b>20,725,208</b>
<b>Surplus/(Shortfall)</b>		<b>(\$2,113,908)</b>	<b>(\$3,314,779)</b>	<b>(\$5,774,533)</b>	<b>(\$7,242,503)</b>

The financial pro-forma indicates that a combination of expenditure reductions, rate adjustments and use of reserves will be necessary to fund ongoing operations and aforementioned capital improvements based on current economic conditions. In addition to the funding needs for operations, the Utilities fund has recently completed a System Master Plan. The five year capital improvements program identified in the plan places a strain on funding capability, which is further exacerbated by the severe reduction in impact fee collections due to a stagnant economy. Impact fees are used for debt service obligations and growth-related capital improvements. Impact fee collection trends are shown below.

<b>Fiscal Year</b>	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
2009 estimate	\$ 135,000	\$ 115,000	\$ 250,000
2008	525,480	390,951	916,431
2007	867,776	647,805	1,515,581
2006	2,009,359	1,142,370	3,151,729
2005	929,305	1,149,382	2,078,687

The City has been using on average \$760,000 and \$469,000 per year in water and wastewater impact fees, respectively, to assist in debt service payment obligations. Without growth-related development in the City’s service area, recurring revenues will need to cover a larger portion of the annual debt service obligations shown in the fiscal forecast.

The five-year capital improvements plan ranges from \$5 million in FY2009 to \$25.5 million in FY2013. The fiscal forecast shows projected debt service obligations associated with financing these improvements. Since a capital improvements plan is a dynamic plan, any project deferrals or delays will result in reduced annual debt service payments.

### **Community Redevelopment Agency Fund**

City Council created the Community Redevelopment Agency (CRA) in 1989 as a mechanism to carry out the goals and objectives of the Downtown Redevelopment Plan and Eastside & Downtown Planning Study. Projects constructed within the CRA are funded by property owners within the CRA from tax value increments generated over the 1989 base year.

The table below provides a history of revenue generated from such property taxes since FY 2000.

<b>Fiscal Year</b>	<b>Taxable Value Increment</b>	<b>City Contribution</b>	<b>County Contribution</b>	<b>Total</b>
FY 2009	\$230,557,176	\$562,664	\$1,250,570	\$1,813,234
FY 2008	286,540,940	591,466	1,236,559	1,828,025
FY 2007	303,201,665	627,124	1,394,380	2,021,504
FY 2006	124,673,913	293,400	636,131	929,531
FY 2005	163,058,877	383,733	739,041	1,122,774
FY 2004	152,238,145	358,268	704,460	1,062,728
FY 2003	126,623,282	306,095	585,930	892,025
FY 2002	111,891,326	291,455	501,094	792,549
FY 2001	91,138,889	237,399	408,156	645,555
FY 2000	61,480,286	172,678	275,333	448,011

Over the past three years, two significant capital investments were undertaken in the CRA – financing of Laishley Park public improvements (marina, marina building, uplands, open air pavilions, restrooms and interactive fountain) and Herald Court Parking/Commercial Facility. The financial pro-forma reflects debt service costs associated with these two projects.

<b>Category</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Revenues</b>					
Tax Increment – County	\$1,250,570	\$1,250,570	\$1,250,570	\$1,250,570	\$1,250,570
Tax Increment-City	562,664	562,664	562,664	562,664	562,664
New Development		97,000	199,000	252,000	252,000
Other	43,234	33,440	55,176	85,396	101,055
Prior Year's Reserves	21,274				
<b>Total</b>	<b>1,877,742</b>	<b>1,943,674</b>	<b>2,067,410</b>	<b>2,150,630</b>	<b>2,166,289</b>
<b>Expenditures</b>					
Operations	187,913	80,000	50,000	50,000	50,000
Debt Service	838,244	779,213	1,039,472	1,320,213	1,452,239
Debt (Balloon) Principal Reduction		1,075,000	975,000	780,000	660,000
Capital Projects	851,585				
<b>Total</b>	<b>1,877,742</b>	<b>1,934,213</b>	<b>2,064,472</b>	<b>2,150,213</b>	<b>2,162,239</b>
<b>Surplus/(Shortfall)</b>		<b>\$9,461</b>	<b>\$2,938</b>	<b>\$417</b>	<b>\$4,050</b>

The balloon payment of \$5.6 million due for Laishley Park Phase 1 public improvements in FY 2013 is anticipated to be refinanced with an 8 year amortization at 5% interest rate. In order to meet future debt service obligations associated with the parking garage and park financings, the CRA should buy down the balloon principal with accumulated cash between FY 2010 through FY 2013.

## Sanitation Fund

The City operates its sanitation services as an enterprise fund and collects refuse two days per week and yardwaste one day per week from approximately 10,200 residential accounts and 650 commercial accounts. A 2-bin curbside recycling program has been implemented for all residential units, collected one day per week.

The City charges an annual rate of \$230.40 for the residential customer. The table below compares the City's rate with surrounding jurisdictions.

<b>City of Punta Gorda Sanitation Rate Comparison with Neighboring Communities Actual FY 2008 and FY 2009</b>				
<b>Jurisdiction</b>	<b>Actual FY 2008 Cost/Year</b>	<b>Actual FY 2009 Cost/Year</b>	<b>Frequency of Service per week</b>	<b>Outsourced</b>
Charlotte County	\$164.00	\$148.00	1**	Yes
Manatee County	129.96	153.24	2	Yes
Sarasota County	159.48	165.86	1	Yes
Collier	167.67	167.67	2	Yes
Cape Coral	195.57	195.57	1	Yes
Venice	202.08	202.08	2	No
Fort Myers	228.96	228.96	1**	No
Lee County****	230.00	230.00	1	Yes
Punta Gorda	230.40	230.40	2	No
Naples	216.96	234.72	2	No
North Port	267.00	267.00	1	No
Sanibel*****	596.20	603.36	2	Yes
All of the above rates include once per week service for yard waste and recycling ** FY 2009 frequency of service is 1, FY 2008 frequency was 2 *** Average rate of six sanitation districts in Lee County ***** Sanibel provides once per week service with option of twice per week collection. Information above is for twice per week option. The once per week option would be \$327.36 in FY 08 and \$325.68 in FY 09				

The financial pro-forma below projects small cash flow deficits through FY 2013, based on the current fee schedule, limited customer growth and expenditure fluctuations caused by investments in fleet replacements.

<b>Category</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Revenues</b>					
Single Family	\$1,548,000	\$1,578,960	\$1,610,539	\$1,642,750	\$1,675,605
Multi Family	556,291	567,417	578,765	590,340	602,147
Commercial	570,000	581,400	593,028	604,889	616,986
Other	159,298	161,800	164,656	167,569	170,541
Capital Leases	400,000			450,000	
<b>Total</b>	<b>3,233,589</b>	<b>2,889,577</b>	<b>2,946,988</b>	<b>3,455,548</b>	<b>3,065,279</b>
<b>Expenditures</b>					
Personnel	1,117,983	1,162,702	1,209,210	1,257,579	1,307,882
Operating	1,115,983	1,149,462	1,183,946	1,219,465	1,256,049
Administrative Fee	322,375	332,046	342,008	352,268	362,836
Capital Outlay	400,000	85,000		450,000	
Debt Service	179,747	214,223	214,223	211,972	246,040
<b>Total</b>	<b>3,136,088</b>	<b>2,943,433</b>	<b>2,949,387</b>	<b>3,491,284</b>	<b>3,172,807</b>
<b>Surplus/(Shortfall)</b>	<b>\$97,501</b>	<b>(\$53,856)</b>	<b>(\$2,399)</b>	<b>(\$35,736)</b>	<b>(\$107,528)</b>

### **Building Fund**

Building services are operated as an enterprise fund and includes all aspects of permitting, inspections, plans review, and licensing of contractors to support the State and City building codes. The City has established permit fees to pay for services provided. Over the past three years, staffing has been reduced from 13 full time employees in FY 2006 to 8 employees in FY 2009, due to a reduction in permit applications and stagnant growth trends (primarily residential).

The financial forecast shows a gradual use of reserves (approximately \$1 million accumulated to-date) to compensate for limited growth in revenues.

<b>Category</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Revenues</b>					
Fees	\$796,500	\$796,500	\$812,430	\$828,679	\$845,252
Prior Year's Reserves	110,733				
<b>Total</b>	<b>907,233</b>	<b>796,500</b>	<b>812,430</b>	<b>828,679</b>	<b>845,252</b>
<b>Expenditures</b>					
Personnel	582,157	605,443	629,661	654,847	681,041
Operating	325,076	334,828	344,873	355,219	365,876
<b>Total</b>	<b>907,233</b>	<b>940,271</b>	<b>\$974,534</b>	<b>\$1,010,066</b>	<b>\$1,046,917</b>
<b>Surplus/(Shortfall)</b>		<b>(\$143,771)</b>	<b>(\$162,104)</b>	<b>(\$181,387)</b>	<b>(\$201,665)</b>

### Laishley Park Municipal Marina Fund

Created in 2007, the Laishley Park marina area is operated as an enterprise fund and includes operation and leasing of 85 boat slips, related parking, pump-out facilities, marina building and environs. Additional amenities to be completed during FY 2009 will be two open air pavilions, restroom facility and interactive fountain. Marina operations are leased out to a private company, Marina Park Management Group.

Revenues to support operations are generated from slip rentals, marina store lease proceeds and community room rentals. Upon completion of the Crab House during calendar year 2009, a privately owned restaurant and retail building, the Fund will receive lease proceeds in the amount of approximately \$72,000 in the first year and adjusted for inflation on an annual basis thereafter.

*Laishley Park Marina*

<b>Category</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b><i>Revenues</i></b>					
Slip Rentals	\$193,150	\$200,000	\$210,000	\$220,000	\$230,000
Crab House Lease		72,000	74,160	76,385	78,676
Other Revenue	37,135	40,000	40,000	45,000	50,000
<b>Total</b>	<b>230,285</b>	<b>312,000</b>	<b>324,160</b>	<b>341,385</b>	<b>358,676</b>
<b><i>Expenditures</i></b>					
Marina Management	118,220	125,000	130,000	135,000	140,000
Operating Expenses	93,075	130,000	135,000	140,000	145,000
<b>Total</b>	<b>211,295</b>	<b>255,000</b>	<b>265,000</b>	<b>275,000</b>	<b>285,000</b>
<b><i>Surplus (Shortfall)</i></b>	<b>\$18,990</b>	<b>\$57,000</b>	<b>\$59,160</b>	<b>\$66,385</b>	<b>\$73,676</b>

The fiscal forecast shows revenues sufficient to pay for marina management and operations. The forecast will be adjusted once all facilities are completed in 2009 and a more accurate reflection of operating costs is known.

### Canal Maintenance Districts Funds

The City has established two canal maintenance assessment districts – Punta Gorda Isles and Burnt Store Isles. Assessments to each benefited property owner pay for maintenance of canals, seawalls, and navigation channels within their respective district. The annual fee for each single family lot is \$400.

The financial pro-forma reflects no rate increases. Based on this scenario, adjustments to existing service levels will be needed in order to eliminate projected budget gaps.

#### *Punta Gorda Isles*

<b>Category</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
Rate	\$400	\$400	\$400	\$400	\$400
<b>Revenues</b>					
Assessments	\$2,060,160	\$2,060,160	\$2,060,160	\$2,060,160	\$2,060,160
Other	34,000	30,000	30,000	30,000	30,000
Prior Yr's Reserves	319,341				
<b>Total</b>	<b>2,413,501</b>	<b>2,090,160</b>	<b>2,090,160</b>	<b>2,090,160</b>	<b>2,090,160</b>
<b>Expenditures</b>					
Personnel	641,576	667,239	693,929	721,686	750,553
Operating	286,253	294,841	303,686	312,796	322,180
Seawall & Dredging	1,485,672	1,453,295	1,491,193	1,530,230	1,570,437
<b>Total</b>	<b>2,413,501</b>	<b>2,415,375</b>	<b>2,488,808</b>	<b>2,564,712</b>	<b>2,643,170</b>
<b>Surplus/(Shortfall)</b>		<b>(\$325,215)</b>	<b>(\$398,648)</b>	<b>(\$474,552)</b>	<b>(\$553,010)</b>

#### *Burnt Store Isles*

<b>Category</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
Rate	\$400	\$400	\$400	\$400	\$400
<b>Revenues</b>					
Assessments	\$412,032	\$412,032	\$412,032	\$412,032	\$412,032
Other	3,000	2,000	2,000	2,000	2,000
Prior Yr's Reserves	47,397				
<b>Total</b>	<b>462,429</b>	<b>414,032</b>	<b>414,032</b>	<b>414,032</b>	<b>414,032</b>
<b>Expenditures</b>					
Operating	57,029	58,740	60,502	62,317	64,187
Seawalls, Dredging & Mangrove Trimming	405,400	405,400	405,400	405,400	405,400
<b>Total</b>	<b>462,429</b>	<b>464,140</b>	<b>465,902</b>	<b>467,717</b>	<b>469,587</b>
<b>Surplus/(Shortfall)</b>		<b>(\$50,108)</b>	<b>(\$51,870)</b>	<b>(\$53,685)</b>	<b>(\$55,555)</b>

## Gas Tax Funds

The City has established local option fuel taxes in two parts – the first six cents is used for such transportation expenditures as street sweeping, street lights, traffic lights, bridge maintenance, railroad crossings and sidewalk repairs. The second five cents is used for road paving (rejuvenation and resurfacing).

Proceeds from fuel taxes are distributed by the State to Charlotte County and the City in the following manner: The first six cents is distributed 11.14% to the City and the next five cents is 6.74 %. The distribution allocation is determined by the five-year average transportation expenditures. A history of revenue received since FY 2000 is shown below.

<b>Fiscal Year</b>	<b>6 Cents</b>	<b>5 Cents</b>	<b>Total</b>
2009	\$ 537,625	\$ 235,000	\$ 772,625
2008	561,707	269,443	831,150
2007	580,185	350,341	930,526
2006	606,122	363,786	969,908
2005	593,419	354,535	947,954
2004	626,543	389,088	1,015,631
2003	590,446	368,253	958,699
2002	585,066	364,871	949,937
2001	553,289	344,325	897,614
2000	426,581	266,033	692,614

The FY 2009 6 Cents revenues have been decreased 6.5% from a budgeted amount of \$575,000 as suggested by the Florida Department of Revenue.

### *6 Cents Gas Tax*

<b>Category</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Revenues</b>					
Taxes	\$537,625	\$537,625	\$548,378	\$559,345	\$570,532
Other	130,893	134,820	138,864	143,030	147,321
<b>Total</b>	<b>668,518</b>	<b>672,445</b>	<b>687,242</b>	<b>702,375</b>	<b>717,853</b>
<b>Expenditures</b>					
Operating	705,893	727,070	748,882	771,348	794,489
<b>Surplus/(Shortfall)</b>	<b>(\$37,375)</b>	<b>(\$54,625)</b>	<b>(\$61,640)</b>	<b>(\$68,973)</b>	<b>(\$76,636)</b>

### *5 Cents Gas Tax*

<b>Category</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Revenues</b>					
Taxes	\$235,000	\$235,000	\$239,700	\$244,494	\$249,384
<b>Expenditures</b>					
Paving	235,000	235,000	239,700	244,494	249,384
<b>Surplus/(Shortfall)</b>					

## **Recommendations**

The City had been in the enviable position of maintaining the same or decreasing its property tax rate during the period FY 1995 through FY 2008 and maintaining the same water & sewer rates from FY 1996 through FY 2008, even in the aftermath of Hurricane Charley. The property tax increase to the rolled back rate in FY 2009 was due to the impact of State tax reform, decrease in taxable valuation Citywide for the second straight year and desire to maintain an acceptable level of core services. The 15% increase in utility rates was due to stagnant customer growth, reduced user & impact fee revenues coupled with an obligation to meet bond covenant requirements.

Once the economic climate rebounds from its recessionary state, it is essential that general and water & sewer fund reserves not be used as revenue sources to fund recurring expenses but be geared toward one-time capital outlay. The landfall of six hurricanes in Florida during 2004 and 2005 provided a tough lesson to most communities on the potential effects of our environment. Having sufficient reserves in its general and water & sewer funds enabled the City to quickly react to prepare for emergencies and provide for debris removal and continuity of operations. This was done without the need to borrow funds from private financial institutions to maintain operations pending receipt of recovery funds from federal and state agencies.

Based on the above financial forecasts, staff recommends a myriad of strategies be undertaken in the categories delineated below to mitigate future tax and user fee increases.

### *Organizational Levels of Hierarchy*

During FY 2009 budget, staff undertook a self assessment of its processes and initiatives for cost cutting using Baldrige/Sterling criteria. The City reduced its workforce by 17.5 including management and supervisory positions. Reducing levels of hierarchy, including appropriate number of departments/divisions, should continue to be explored in ensuing budget preparation.

### *Employee Salaries & Benefits*

Personal services (employee salaries and benefits) represent 65% of general fund expenditures and 34% of all fund expenditures. A 3% wage increase equates to approximately \$400,000, of which \$240,000 is in the general fund. Since wage adjustments are implemented on January 1, the impact of a 1% increase in FY 2010 is \$100,000 all funds and \$60,000 general fund.

During FY 2008, the City designated the HMO Plan as the base health insurance plan. Employees can opt for the PPO Plan by paying the difference in premiums. The City also pays for 50% of employee dependent health care premiums. These costs

approximate \$500,000 Citywide and \$300,000 in the general fund. A reduction in subsidy from 50% to 40% reduces costs by \$100,000 Citywide and \$60,000 in the general fund.

The aforementioned wage and benefit structure should be addressed as part of future expenditure reduction strategies.

#### *Level of Service Additions*

The addition of new on-going programs should be matched with a new or alternative source of revenue or “traded-off” with an existing program of equal size and parameters. Any service expansion should be considered cautiously, especially outside of the formal annual budget preparation process.

#### *Efficiencies in Operations and Finding Cost Containment Measures*

Key performance measures, assessment of processes and other budgetary control measures are among the ways the City emphasizes efficient use of existing resources. Staff recommends continuous emphasis on priorities and trade-offs when making budget decisions and bringing forth cost containment measures aimed at mitigating the trend lines of some of the more escalating expense items. For instance; limiting FY 2010 operating costs in the General Fund to FY 2009 levels reduces the projected deficit by approximately \$200,000. Limiting FY 2010 operating costs to 90% of FY 2009 levels reduces the gap by an additional \$440,000.

#### *Long-Term Effects of Decisions*

The City should continue to evaluate the long-term fiscal impacts of decisions and, where possible, match future significant long-term service costs with an appropriate and reliable funding source.

#### *Comprehensive Cost Recovery Objectives*

The City has adjusted several fee-supported programs over the past three years. Staff recommends continuing this approach already in place. Changes in cost recovery goals, including new areas for cost recovery, should be conscious decisions with relevant revenue and expenditure information at hand.

#### *Funding for Road Resurfacing*

Over the past two years, the City has not been able to provide additional general fund monies for road resurfacing and rejuvenation, thereby making all such funding entirely dependent on amount of annual gas tax proceeds. While the City has diverted monies toward rejuvenation which extends the life of a road, resurfacing has fallen behind its pre-determined schedule. Staff projects that \$600,000 per year will be needed to restore road resurfacing to a level that enables the City to do approximately 6 miles per year.