Fiscal Year 2025
Adopted Budget Policies
Collier County Board of County Commissioners
March 12, 2024

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Overview and Priority-Based Budget Planning

This policy document covers significant budget influences and provides staff's budget guidance recommendations relative to achieving the County's strategic objectives for FY 2025 and beyond.

The annual budget policy document consists of three (3) sections which are:

- Annual Budget Policies to be Adopted
- Continuing Routine Budget Policies to be Reaffirmed
- Three-Year Forecast for the General Fund and the Unincorporated Area General Fund

Recommended policies are highlighted in gray on policy document pages 24 thru 43.

<u>Priority-Based Budgeting</u>

For FY 2025 the County will be employing a **Priority-Based Budgeting approach** allocating resources based on the strategic importance and impact of individual programs. This method emphasizes the alignment of financial allocations with the organizational goals and community priorities outlined in the FY 2024 Strategic Plan. Identifying and ranking priorities will ensure that limited resources are directed toward initiatives that deliver the greatest value to the community. Through this transparent and collaborative process involving stakeholders and community input, the priority-based budgeting approach enables informed decision-making, fosters accountability, and promotes the efficient use of available resources. In addition, this approach allows for flexibility to adapt to changing circumstances while maintaining a focus on achieving the County's strategic goals.

In the past year, the economic environment has transitioned to a more stable state, following a period characterized by product shortages, disruptions in supply lines, labor scarcities, rising interest rates, unprecedented levels of inflation and skyrocketing housing expenses. These factors have contributed to escalating operating expenses, capital project costs, and considerable upward pressure on payroll.

Taxable value county-wide has increased for the twelfth (12) consecutive year and is expected to increase once again for the 2024 (FY 2025) tax year. Major general governmental revenue sources like sales tax, state shared revenues, and gas taxes all exceeded the forecast for FY 2023 and are trending higher over budget in FY 2024.

- New construction permitting has seen a modest decline when compared to 2022. Throughout calendar year 2023, monthly permits averaged 245, which is slightly lower than the 2022 average of 268 permits per month and significantly lower than the 2021 monthly average of 365 permits. The majority of these new permits are issued for the construction of one and two-family residential units.
- Existing home sales activity and pricing continue to be seasonally strong, despite a significant increase in inventory. Even with this rise in available homes, median home prices have risen from $750K in January 2023 to $845K in January 2024.

- In December 2023, Collier County's unemployment rate stood at 3.1%, representing a modest increase of 0.5% from December 2022. During the same period, the State of Florida reported an unemployment rate of 3%, while the United States recorded a rate of 3.7%.
- Visitation to the destination for December 2023 totaled 247,200 which was a significant increase over December 2022 visitation for the month of 200,000. Calendar year visitation for 2023 of 2.75 million is down slightly from the 2022 calendar year visitation of 2.90 million. Direct spending for the 2023 period totaled $2.62 billion which is 6.8% less than the 2022 total of $2.81 billion.

As we usher in calendar year 2024, economic indicators generally point to a healthy economic environment as our community continues to grow. Major employers including Collier County are continuing to exhibit strong balance sheets and local sales tax, gas tax, state shared revenues, impact fees, and tourist development taxes remain strong. Senior leadership regularly evaluates all economic indicators, and the organization is always positioned to respond, if necessary, to any softening of economic conditions.

The County is positioned to structure and issue strategic general governmental and enterprise debt for capital projects upon review and recommendation by the Finance Committee. Projects like the expansion of the transportation grid, general governmental facilities improvements, and phase two of the eastern expansion of the County's public utility system will likely require some form of financing during FY 2025, FY 2026, and beyond.

The Budget as a Tactical Financial Tool and Strategic Policy Model

The annual budget document is considered a single use tactical financial plan which appropriates dollars toward one-year initiatives, activities, and projects in furtherance of longer-term policy strategic objectives embodied in the **2024 Strategic Plan**. This tactical budgetary plan begins with an examination of annual budget policies which describe in detail the tactical issues to be funded.

While the budget is a tactical tool, components of the budget also program dollars strategically. Multiyear capital project funding for key infrastructure often involves a phased approach and can span three to seven years to achieve project completion. Reserves designated for future asset maintenance and replacement, vehicle and equipment replacement, natural disasters and unforeseen risks are considered critical strategic requirements that emphasize the need for careful resource allocation among competing short and long-term funding priorities.

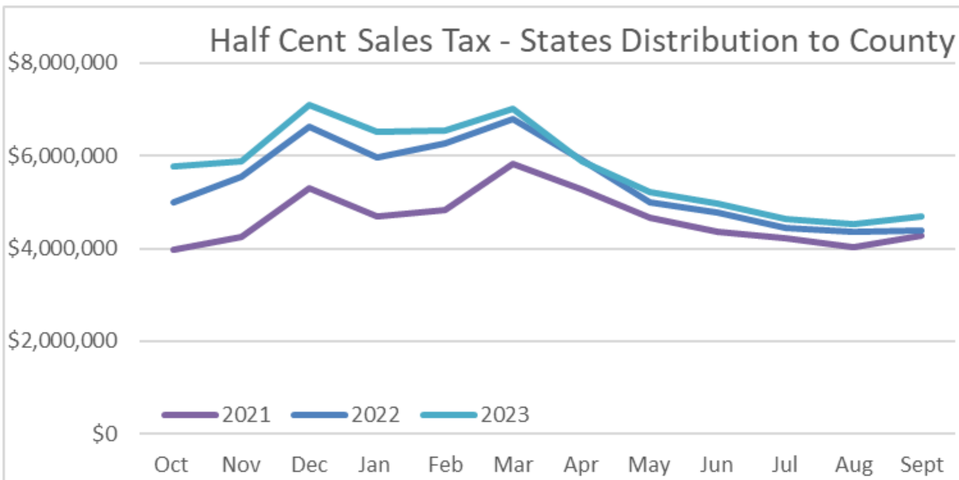
As the County's general governmental and enterprise capital assets grow, repeatedly resourcing long-term asset maintenance and replacement becomes increasingly important.

For FY 2024, $706.8 million or 35.4% of the County's $1.995 billion net budget is for county-wide enterprise and general governmental capital projects and capital reserves. Planning numbers for FY 2025 within the General Fund allocate $71.4 million or 10.3% of the $690.6 million spending plan toward capital initiatives including projects, debt repayment and capital reserves.

General Governmental Revenues – FY 2023

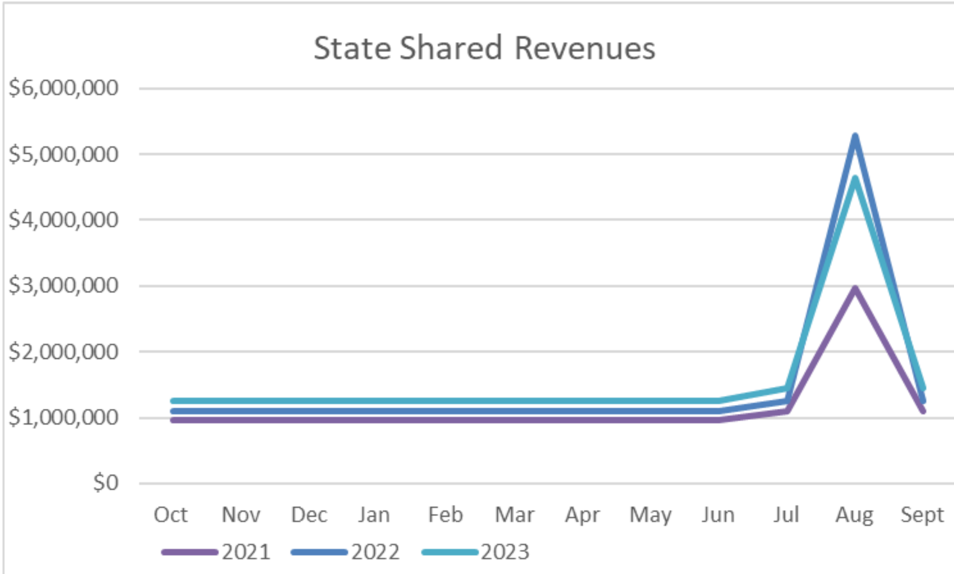
Fiscal year ending FY 2023 key governmental revenue sources remain strong. The County's General Fund cash position remains within policy guidelines consistent with a stable highly rated investment quality municipal entity as determined by all three major rating agencies. The following is a discussion of major general governmental revenue sources.

Local **regular half cent sales tax** revenue is the largest non-property tax general governmental revenue source and is deposited monthly in the General Fund. FY 2023 collections were significantly higher than both FY 2022 collections and FY 2021 collections by 5.7% and 23.4% respectively. The County received $55,732,311 in FY 2021, $65,042,976 in FY 2022, and $68,746,452 in FY 2023. The following graph depicts the FY 2021 to FY 2023 relationship in collections by month.

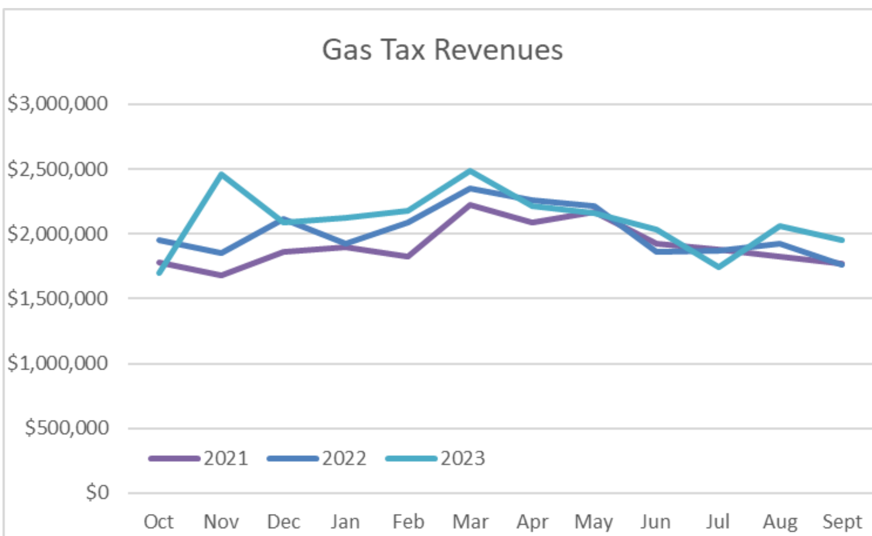


Budgeted half cent sales tax collections for FY 2024 total $52,000,000 which is very conservative when compared with State estimates at $64,557,400.

State **revenue sharing** is yet another key general government revenue source deposited in the General Fund. Like regular sales tax revenue, FY 2023 collections were significantly higher than FY 2022 and FY 2021 collections by 6% and 26.8% respectively. The County received $13,775,594 in FY 2021, $17,758,152 in FY 2022 and $18,830,743 in FY 2023. The FY 2024 budget totals $12,000,000 which is conservative when compared to the States estimate of $16,867,200.



Aggregate special revenue **gas taxes** receipts have continued to grow in FY 2023, increasing over FY 2022 and FY 2021 by 3.8% and 9.8% respectively. Actual receipts totaled $22,919,743 in FY 2021, $24,195,877 in FY 2022, and $25,188,635 in FY 2023. For FY 2024, gas tax revenue is budgeted conservatively at $22,603,100 which is well below the state estimates of $28,336,086.



Actual Tourist development tax collections in FY 2021 totaled $36,192,118 million and increased substantially in FY 2022 to a record $47,470,485 million. FY 2023 collections dropped slightly to $44,107,953. FY 2024 collections are on track to exceed last year with collections through January 2024 up 17.7% year over year.

<u>Natural Disaster Planning/Hurricane Ian</u>

Since Hurricane Ian made landfall in September 2022, the County has devoted substantial effort and resources to its recovery effort. As of March, the BCC has approved in excess of $130 million in funding for recovery and has expended upward of $79 million on these efforts. To date, the County has recovered $35 million in FEMA and insurance reimbursements.

The following summary table for FY 2024 shows the Hurricane Ian recovery budget and actuals by fund category as of March 1, 2024.

Fund Category	Budget	Actual
General Governmental	$34,777,000	$13,149,375
Enterprise	$67,045,000	$48,810,518
TDC	$29,076,220	$17,307,868
CATT Transit	$40,087	$40,087
Total	$130,938,307	$79,307,848

There will be a significant budgetary impact both in FY 2024 and FY 2025 from Hurricane Ian and this impact will largely depend upon when reimbursement revenue is received. The Office of Management and Budget (OMB) is closely monitoring the reimbursement stream with a keen eye toward implementing any necessary FY 2024 budget adjustments to ensure that sufficient cash balances are maintained in affected funds. Any necessary budget adjustments will mostly affect capital budgets through a reduction in capital transfers and deferring appropriate capital projects. Upon receipt of reimbursements, when possible, budgets utilized to fund Hurricane Ian recovery efforts will be appropriately restored.

The County is prepared to cash flow the response necessary to restore the community from natural disasters utilizing three specific budget techniques:

- First, existing capital project budgets are reviewed, and funding is re-allocated where appropriate.
- Second, general governmental and enterprise reserves are drawn down in appropriate and prudent amounts.
- Third, in funds where enough cash balance exists, FEMA revenue is budgeted, and corresponding expense budget appropriated anticipating some level of reimbursement in the coming months/years. Planned revenue and existing fund balance is utilized for cash flow until the receipt of FEMA deposits.

County leadership is committed to a value-added coordinated emergency management approach which coalesces all County Agencies and external partners as future natural disasters threaten Collier County.

General Budget Planning

The FY 2025 budget plan will allocate funding utilizing a priority-based budgeting approach for recurring operational expenses and continue funding for replacement capital infrastructure and maintenance, as well as new capital initiatives not funded through the local option infrastructure sales tax. Capital and operational programming continue to compete for limited resources which is always a pressure point as appropriation decisions are made for the General Fund (0001) and Unincorporated Area General Fund (1011). That said, the budget document must continue to remain flexible - a key component of the budget management process and widely recognized by those agencies who are consumers of the County's budget data and offer financial ratings of our agency.

The budget as a flexible financial planning document will be subject to many changes in FY 2025 with several financial variables yet to be determined, including.

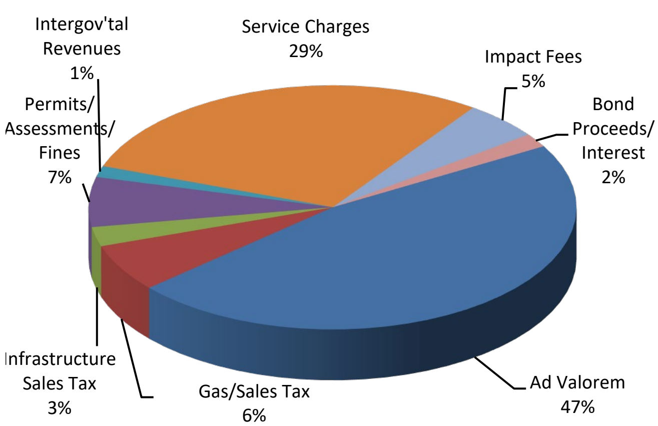
- Program prioritization to align financial allocations with organizational goals and community needs outlined in the FY 2024 Strategic Plan.
- Tax policy decisions by the Board will determine the level of budget flexibility and the specific resource allocation for operations and capital transfers; the level of reserve programmed, and payment of debt will not be affected by the Board's tax policy decision.
- While issuance of debt is not programmed within the adopted budget, the budget will be positioned for amendment during any fiscal year to allow for financing projects like the expansion of the transportation grid; stormwater improvements; public utility expansion to service eastern lands development; government facilities improvements; and other policy initiatives as directed by the Board.
- Extent of additional gap funding to complete future construction phases of the Paradise Coast Sports Complex.
- Planning for recurring general governmental funding to maintain storm-water infrastructure; continue a "pay as you go" capital component and payment of debt service all totaling a planned \$19.2 million consisting of appropriations from the General Fund and Unincorporated Area General Fund.
- Board policy guidance on issues like workforce and first responder housing; mental health programming; continued development of the Golden Gate Golf Course property, Hussey property, and Camp Keais property; and any operational implications to Community Priorities funded by the voter-approved local option infrastructure sales tax.
- Existing taxable value-dependent support of economic development innovation zones and CRA tax increments.
- Level of capital and operational funding connected with strategic relocation of various governmental functions on the main campus, including implications from community priorities funded by the local option infrastructure sales tax like constructing the mental health facility; costs connected with back-office infrastructure replacement like the management and accounting system, and information technology system upgrades.
- Level of General Fund transfer support to the constitutional officers and specifically the Sheriff.
- Constitutional officer capital funding requests.
- Amount of General Fund dollars if any required to backfill the impact fee trust funds due to continued State Legislation restricting the use of general governmental impact fees and/or insufficient impact fee collections.

Annual Budget Policies

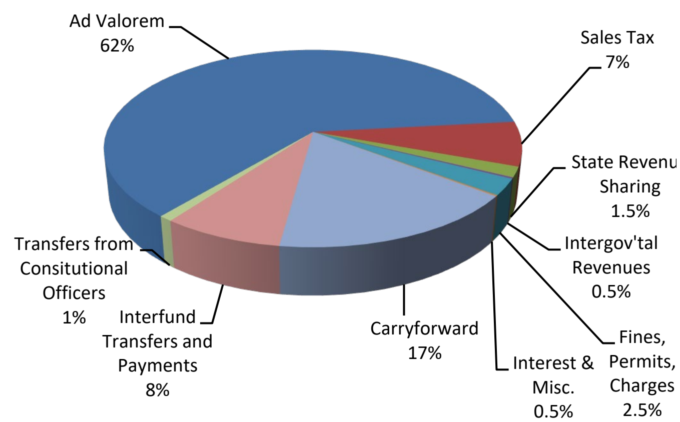
<u>Significant Budget Influences</u>:

Utilizing a priority-based budgeting approach in conjunction with budgetary control lines, resources will be allocated to competing services, programs, projects, and capital initiatives. Within the pyramid of service and program delivery, significant resources have and will continue to be devoted to public safety, public health, debt management, and the replacement of priority mission-critical infrastructure and equipment. Property (ad valorem) taxes will once again dominate the County's budgetary revenue mix, which for FY 2024 comprises about 47% of total net recurring annual operating revenue and 62% of General Fund recurring revenue sources. Seventy-and-a-half percent (70.5%) of General Fund revenue is comprised of property taxes, sales tax, and state shared revenue.

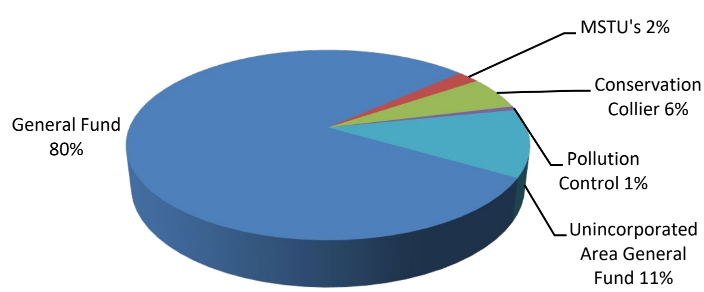
Sources of Current County Government Operating Revenues all Funds (FY 2024)



FY 2024 General Fund Revenue Sources



Property Tax by Major Funds



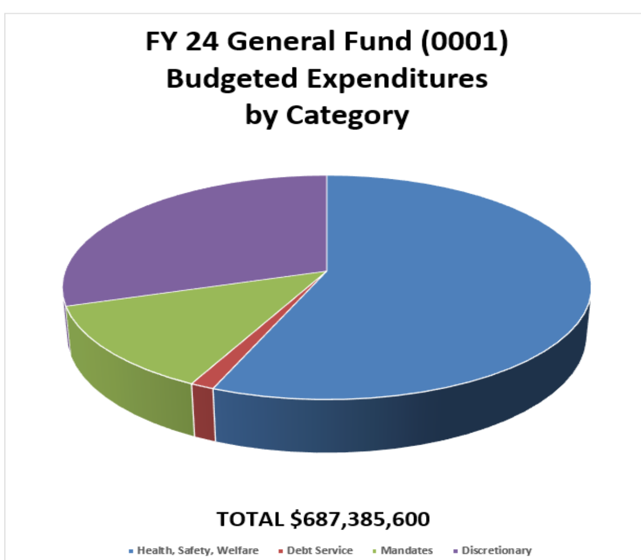
Eighty percent (80%) of all levied property taxes by Collier County Government are deposited into the General Fund and 45% of those collections, including state required Board paid components, support constitutional officer operations, including the Sheriff. Thus, significant attention is paid to property (ad valorem) taxes and those factors that can influence millage rate and tax levy decisions.

Policy planning projects a 1.5% increase in net new taxable value. This results in a FY 2025 planning levy increase of $6.7 million over the FY 2024 adopted levy. **The following points are noteworthy** in considering general governmental tax policy for FY 2025.

- The BCC adopted a rolled-back rate of $3.2043 in FY 2024 for the General Fund. This was a departure from fourteen (14) years of implementing the millage neutral of 3.5645.
- The state calculation for determining the rolled-back rate includes the net new taxable value from new construction, but it does not include changes to the aggregate existing tax base.
- Relying solely on the rolled-back rate as a measure of tax relief presents potential issues that can compound over time. The concern lies not in the initial year levying the rolled-back rate, but rather in the cumulative effect should the Board decide that the rolled-back rate is the new normal. The rolled-back may not generate the incremental revenue necessary to sustain the County's substantial infrastructure investments, let alone capital facility expansion and related services for a growing population.
- Property taxes comprise 62% of total General Fund recurring revenue.
- Planned within the General Fund for FY 2025 is $56.9 million supporting various general governmental capital initiatives, not including debt payments or capital reserves, in the areas of transportation, parks and recreation, stormwater, museums, and constitutional capital requests.
- Constitutional operating transfers out of the General Fund (including Board paid requirements) constitute 45% of all FY 2024 General Fund appropriations. While the Board can control these appropriations, based on history it is not likely that cuts would be made to constitutional officer operations, especially the Sheriff.

Of the $687.4 million-dollar FY 2024 General Fund Budget only about 30%, or $205.9 million, is considered somewhat discretionary. The remaining appropriations are classified as Health, Safety, and Welfare (56%); Debt Service (1%), and Mandates (13%) where there is very limited to no discretion over appropriations.

Discretionary	30%
Roads	36,829,700
Stormwater	6,881,800
Other G&A	6,992,300
County Atty	3,553,500
County Manager	2,367,000
Budget/Mgmt/Grants	1,762,100
Corp Compli & Internal Review	1,327,900
Domestic Animal Svcs	5,151,300
Library	10,836,800
Museum	844,500
Veteran Services	451,900
Parks & Rec.	21,926,700
Social Servs/Seniors	3,461,300
Affordable Housing	500,000
Extension Svcs	991,500
Sea Turtle Monitoring	138,700
Sports Complex	3,029,100
Facilities Mgmt	39,753,600
Other Capital Proj	23,694,500
Real Estate Svcs	1,031,500
Info Technology	3,301,100
Contribution C-ARP Grants	9,000,000
Employee Svcs	2,865,300
Purchasing	3,141,400
Dept Admins	3,674,500
Transp. Disadvant.	2,365,400
CAT	3,517,000
Econ. Dev/Impact Fees	1,299,100
Com Planning & Resiliency	1,296,700
Courts	1,912,200
Health & Property Ins	2,000,000
TOTAL	205,898,400



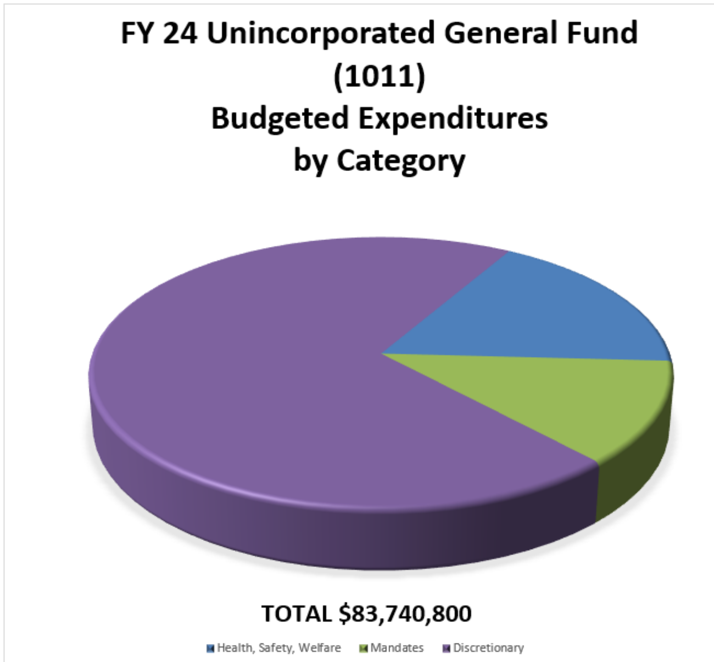
Health, Safety, Welfare	56%
Mental Health	2,505,200
Health Dept.	1,896,200
Emergency Svcs	48,602,200
State Attorney	789,600
Public Defender	486,800
Judges	69,700
Sheriff	259,336,900
Reserves	72,190,100
TOTAL	385,876,700

Debt Service	1%
Special Obligation Bonds	7,429,000
Investment to the Impact Fee	1,383,900
TOTAL	8,812,900

Mandates	13%
BCC	1,496,300
DJJ	1,941,900
Medicaid Payment to State	3,975,000
Facilities (Utilities)	3,524,500
CRAs/Eco Dev & Innov Zones	19,056,400
Beach Parking	750,000
Supervisor of Elections	6,106,500
Property Appraiser	9,198,600
Tax Collector	25,527,000
Clerk of Courts	15,221,400
TOTAL	86,797,600

Property tax revenue comprises 76% of Unincorporated Area General Fund recurring operating revenue sources and when including the Communication Services revenue sharing from the State the revenue mix jumps to 81%. Continued reduction in state shared communication services tax revenue will significantly impact general governmental services appropriated in this fund.

Discretionary	70%
Parks & Rec. Ops	18,094,300
Parks & Rec. Cap	3,900,000
Road Maintenance Ops	5,832,800
Road Maintenance Cap	13,600,000
Stormwater Ops	5,217,800
Stormwater Cap	5,700,000
IT Capital	594,200
Other Gen & Admin	2,904,600
Public Information	2,380,000
Clam Pass	156,300
Improvement Districts	396,300
TOTAL	58,776,300



Health, Safety, Welfare	18%
Code Enforcement	5,555,500
Division of Forestry	21,000
Ochopee Fire District	2,338,500
Reserves	6,759,700
TOTAL	14,674,700

Mandates	12%
Other G&A (Beach Pking & Ins)	1,659,000
Zoning, Land Devel, Comp Plan	2,984,500
Cable Admin	903,700
Coastal Zone	249,600
Natural Resources	269,900
Pelican Bay	520,000
MPO	5,000
CRA's & Innov Zones	1,495,700
Property Appraiser	573,600
Tax Collector	1,628,800
TOTAL	10,289,800

Like the General Fund, flexibility exists within the Unincorporated Area General Fund if a response to any state shared communication services tax reduction is required. A substantial reduction in the state shared communication services tax would require cuts to general governmental operating programs and/or capital transfers, absent a replacement revenue source like a franchise fee. Florida counties possess the right and power to enter into a franchise agreement with utilities – typically electrical - which the franchise establishes terms for use of rights of way and the compensation to be received for allowing the use of rights of way. The compensation can be up to 6% of the revenue received by a utility from customers located within the county's unincorporated political boundary. Many Florida counties and incorporated municipalities have entered into utility franchise agreements. For example, electric utility customers in Lee County are currently paying a 4.5% fee on their utility bill which generates over $18 million annually.

FY 2025 General Governmental Initiatives:

Identified general governmental capital improvements/operating initiatives over the next few years include:

- Priority-based budgeting approach to enhance organizational performance.
- Promote economic development by increasing affordable housing options for the area's workforce.
- Repair of facilities damaged in Hurricane Ian.
- Park system infrastructure renewal and replacement.
- Construction of phase two of Big Corkscrew Island Regional Park.
- Ongoing development of the Golden Gate Golf Course.
- Upgrades to IT infrastructure, including security measures and the County's various management, financial, and accounting software like SAP.
- Master planning on the Camp Keais and Hussey property.
- Consideration of the operational and maintenance implications associated with constructing projects funded by the local option infrastructure sales tax.
- Development of a funding strategy for Immokalee Road I-75 Interchange improvements.
- Continued restoration of reserves utilized for Hurricane Ian's recovery.
- Major upgrade or replacement and hardening of the County's 800MHz radio network.
- Constructing phase three of the Paradise Coast Sports Complex including related operations.
- Sheriff's capital projects including various maintenance and facility upgrades.
- Ongoing funding for storm-water maintenance and continued capital infrastructure upgrades.
- Annual funding for the Ochopee Fire Service agreement with Greater Naples Fire District.
- Contributions to economic development initiatives like innovation zones.
- Funding for unforeseen state and federal mandates.

Whether paid by cash, financed, or funded through the Local Option Infrastructure Sales Tax, operating, and maintaining this enhanced level of infrastructure improvement and service initiatives will require a substantial investment of scarce and limited general governmental operating revenue which is predominately property taxes.

Recognizing the County's growing future general governmental asset maintenance responsibility, reserve dollars of at least $5 million are planned to be replenished for FY 2025 and dedicated to maintaining the County's future general governmental hard and soft infrastructure investment. It is envisioned that the reserve amount will continue to grow in varying amounts but no less than $5 million annually, with the amount ultimately tied to the prioritization of the Board's budget. Regular annual deposits to this fund isolate dollars for future asset maintenance from competing programs, services, and initiatives that receive dollars from a limited resource pool. At the very least, cash on hand through this reserve will provide a hedge against natural disasters and potentially lessen the need for government borrowing in the future.

General Fund and Unincorporated Area General Fund contributions to CRA's and innovation zones for FY 2024 totaled $12.9 million (an increase of $1.0 million over FY 2023) and $1.5 million (an increase of $100K over FY 2023) respectively and these numbers will grow in FY 2025 with projected tax base increases.

Other factors that will be significantly impacted by general governmental tax policy include:

- Extent of capital and operational transfer dollars expended by the General Fund and Unincorporated Area General Fund.
- Level of service standards set by the Board for agencies and departments that are funded within the General Fund and Unincorporated Area General Fund.
- Proper level of resources to cover the organization's current and future asset maintenance responsibility. Competing priorities between operating and capital expenses within a revenue structure heavily reliant upon property taxes.
- General Fund and/or Unincorporated Area General Fund support for new or re-prioritized operating and capital initiatives which were described above under *FY 2025 general governmental initiatives.*
- Impacts of potential unfunded mandates, including continued state legislative attacks to limit a counties home rule ability to raise property tax revenue and repeated attempts to reduce existing shared revenue sources like the Communication Services Tax (CST); further reductions in state health care and social service funding; continued attempts to very restrictively define how impact fee revenue can be used; as well as impacts from any reduction in federal payment in lieu of taxes (PILT) funding.
- Level of General Fund Ad Valorem operating support extended to constitutional officers and specifically the Sheriff.

What will not be impacted by the Board's tax policy decisions are:

1. Maintaining a strong beginning year General Fund and Unincorporated Area General Fund cash balance in accordance with policy.
2. Policy-driven growth in general governmental reserves.
3. Scheduled annual payments on the County's debt service; and
4. Maintaining the County's excellent market credit rating.

Discussion of Taxable Values for the General Fund (County-Wide) and Unincorporated Area General Fund and Related FY 2025 Budget and Financial Strategies

The county-wide tax base has increased for twelve (12) consecutive years and is expected to increase again for FY 2025. The following table provides a history of Countywide and Unincorporated Area taxable values over the past ten (10) years (tax year 2014-2024), as well as the budget planning projection for tax year 2024 (FY 2025).

Tax Year	County Wide Taxable Value	County Wide % inc. (dec)	Unincorporated Area Taxable Value	Unincorporated Area % inc. (dec.)
2014 (FY 2015)	$64,595,296,747	6.5%	$39,634,174,211	6.5%
2015 (FY 2016)	$70,086,389,131	8.5%	$43,075,586,559	8.7%
2016 (FY 2017)	$77,115,163,725	10.0%	$47,455,161,371	10.2%
2017 (FY 2018)	$83,597,615,791	8.4%	$51,754,136,138	9.1%
2018 (FY 2019)	$88,274,604,097	5.6%	$54,773,401,334	5.9%
2019 (FY 2020)	$93,175,403,621	5.6%	$58,037,803,377	5.9%
2020 (FY2021)	$99,159,595,002	6.4%	$62,320,804,025	7.4%
2021 (FY2022)	$104,676,789,159	5.6%	$65,863,629,475	5.7%
2022 (FY2023)	$122,148,279,016	16.7%	$77,004,583,159	16.9%
2023 (FY2024)	$138,016,573,448	12.9%	$87,762,215,243	13.9%
2024 (FY 2025) Planning	$154,716,578,800	12.1%	$98,381,443,287	12.1%

The January 2024 State Ad Valorem Estimating Conference Report for the 2024 tax year (FY 2025) projects a significant increase of 12.1% in Collier County's certified taxable values (county-wide). Over the years, our staff has demonstrated adeptness in formulating the planning budget around a conservative yet functional taxable value estimate, allowing for maximum flexibility. This is crucial as most budget planning occurs before the certified taxable value data is received from the Property Appraiser at the end of June.

The FY 2025 budget planning strategy revolves around a conservative projection of a 1.5% ad valorem increase, attributed to net new taxable value. Recommended millage rates will be calculated based on budget requirements while adhering to established control lines and preliminary taxable value assessments. Adjustments to programs or reallocation of funds resulting from budget prioritization may result in changes to the recommended millage rates.

The General Fund and Unincorporated Area General Fund tax or “millage” rate has varied over the years and has been influenced by the taxable value environment and State legislation.

Tax or “millage” rates for the past eighteen (18) years are shown in table form below.

Millage Area	FY 07	FY 08	FY 09	FY10-FY16 (7 Years)	FY17-FY23 (7 Years)	FY 24	FY 25 Planning
General Fund	$3.5790	$3.1469	$3.1469	$3.5645	$3.5645	$3.2043	TBD
Unincorporated Area General Fund	$.8069	$.6912	$.6912	$.7161	$.8069	$.7280	TBD

According to the Urban Institute, property tax collections by local governments typically constitute an average of 28% of all general governmental collections for counties. Within our county, property tax revenue plays a significant role, representing 62% of the General Fund (0001) and 47% of the total net county recurring revenue budget, inclusive of fund balances.

Conservation Collier - On November 3, 2020, the Collier County electors approved the Conservation Collier Re-establishment referendum with a 76.5% majority. This voter approval set a county-wide millage rate not to exceed $.2500 mills for ten (10) years and does not include the issuance of debt to acquire environmentally sensitive land.

In FY 2024, the budget includes the rolled-back millage rate of $0.2242 which will generate approximately $31.1 million in property taxes. Consistent with Ordinance 2023-47 as amended, no less than twenty-five percent (25%) of annual gross tax receipts are deposited into the Conservation Collier Management Trust Fund to provide for long-term management of lands acquired through or managed by the Conservation Collier Program. For FY 2024, this transfer totals $7.4 million.

For FY 2024, the adopted budget includes the one-time transfer of funds from the Conservation Collier Acquisition Fund to the General Fund and Unincorporated General Fund, totaling $8.6 million and $6.4 million respectively. Additionally, there is a one-time transfer of funds from the Conservation Collier Maintenance Fund to the General Fund and Pollution Control Fund, amounting to $38.2 million and $395 thousand respectively.

Planned FY 2025 allocations will be consistent with the approved Conservation Collier Ordinance. The recommended millage rate will be calculated based on preliminary taxable value assessments and budget requirements while adhering to established control lines.

Summary of Significant FY 2025 Adopted Budget Strategies to Achieve a Structurally Balanced Budget

The following table highlights certain FY 2025 budget strategies that will be detailed within this document and which the Board will consider as part of the Adopted Budget Policies.

1	The County Manager is proposing to submit one FY 2025 General Fund (0001) operating budget along with service level and related budgetary and millage implications. Planning for recurring operating cost increases of 3.5% is below the identified CPI increase of 5.7% *(see discussion below)* and will result in department prioritization and adjustments within strategically identified areas to meet this budget guidance. The FY 2024 General Fund Adopted Budget appropriates dollars to fund all constitutional agency operations which is roughly 45% of all General Fund appropriations; County Manager agency operations; substantial capital transfers not including capital reserves and debt service totaling $51.7 million to general governmental facilities and constitutional capital needs, the regional park system, the transportation network, stormwater maintenance, and museums. General Fund reserves for FY 2024 are within policy parameters and currently total $72.2 million.

2	Proposed FY 2025 guidance for the Unincorporated Area General Fund (1011) includes recurring operating cost increases of 3.5%. The recommended millage rate will be calculated based on prioritized budget requirements while adhering to established control lines and preliminary taxable value assessments. The Unincorporated Area General Fund appropriates dollars for operating services like community parks, road maintenance, stormwater, landscape operations and maintenance, comprehensive planning, zoning and land use, code enforcement, and coastal zone operations. Substantial capital transfers to parks, the transportation network, landscape maintenance, and stormwater maintenance continue and for FY 2024 those capital transfer dollars totaled $24.1 million. Reserves continue to be funded at policy levels which is a minimum of one month of operating expenses.
3	County Manager agency expanded services will be limited to operating new Board approved capital facilities, priority-based level of service adjustments, and/or historically strained mission-critical imperatives. These program enhancement requests must identify the strategic focus area(s) and strategic objective(s) that are being satisfied. County Manager Agency's total budgeted personal services costs for FY 2024 is $254.6 million or 50.9% of all County personnel costs. Constitutional budgeted personal services for FY 2024 totals $245.9 million, or 49.1% of County Personnel costs.
4	Pursue a strategy in FY 2025 which continues to place a premium on current infrastructure replacement/maintenance on a pay-as-you-go basis by allotting a 5% increase to related capital transfers from the General Fund (0001) and Unincorporated Area General Fund (1011). Integrate capital financing where prudent and economically appropriate pursuant to the Debt Management Policy. No debt will be programmed as part of the adopted budget. Instead, any financing will be part of the amended budget based upon policy directives.
5	Recognizing the County’s mounting future general governmental asset maintenance responsibility, in FY 2025 an additional $5 million is planned to be allocated to the restricted future capital reserve created in FY 2020. These reserve dollars are dedicated to protecting the County’s future general governmental hard and soft infrastructure investment. Regular annual deposits to this fund emphasizes the need to isolate dollars for this future asset maintenance obligation knowing the many competing programs, services and initiatives must receive dollars from a limited resource pool.
6	Establish budget parameters for enterprise operations which are tied to working capital guidelines established by the Government Finance Officers Association (GFOA); capital obligations from the capital improvement element (CIE); any rate or fee studies stipulations; priority agency-wide expansion initiatives; and statutory or ordinance spending limitations. A critical review of operating and capital reserve levels versus operating and capital appropriations will be discussed during County Manager budget deliberations with an expectation that enough recurring resources are devoted to maintaining the utility asset at a high standard while resources are set aside to protect cash and fulfill our fiduciary responsibility to public protection in the event of a natural disaster.
7	Continue General Fund (0001) county-wide debt and capital transfers to cover regular special obligation revenue bond debt service; provide any necessary investment to the impact fee trust funds to cover the debt service gap due to insufficient impact fee collections; fund park’s capital; fund constitutional officer capital needs; and help pay for needed general governmental facility repairs.

8	The FY 2025 budget planning model allocates $19.2 million dollars from the General Fund and Unincorporated Area General Fund toward existing storm-water infrastructure maintenance; pay as you go capital; operations; and debt repayment. Debt service on the recent 2020A Special Obligation Revenue Bond – $60 million stormwater component – totals $2.2 million for FY 2025 thus the net amount for stormwater capital, system maintenance, and operating components totals $17 million.
9	The FY 2025 planning model increases the park capital and infrastructure maintenance general governmental transfer to $7.9 million; the net amount after covering FY 2025 debt service of approximately $700K on the $20 million 2020A Special Obligation Revenue Bond component totals $7.2 million.
10	The FY 2025 budget will be planned for maximum flexibility which will allow for quick adjustments resulting from a softening economy; natural disasters; Board policy initiatives; issuance of debt; changing expense timing; and unforeseen unfunded mandates.
11	Establish General Fund (0001) contingency reserve at 3.0% of total budgeted appropriation (less capital/debt transfers) and maintain the General Fund **cash balance reserve** at $61.7 million **bringing total General Fund reserves to $77.1 million,** an increase of $4.9 million over FY 2024. This modest growth in the General Fund reserves is extremely important to protect the funds beginning FY cash position, present a position of financial strength to the rating agencies, avoid more aggressive expenditure controls as budget margins tighten; position the County to become more self-reliant knowing that federal and state funding, as well as funding guidelines will continue to tighten and become more onerous; and, if necessary tap reserves to cover any emergency disaster expenses and/or strategic Board policy initiatives.
12	Use gas tax revenue to support road capital, maintenance, and debt (with an emphasis on debt) consistent with budget planning and statutory requirements.
13	Continue dialog, where appropriate, on future new universal and sustaining revenue sources, like a **franchise fee** applicable to unincorporated area electric utility customers, to diversify the composition of the County's recurring general governmental revenue mix.

A control line of 3.5% for operational increases at the department level is planned. This means that department operations for FY 2025, which rely on the General Fund and Unincorporated Area General Fund for dollars, will be restricted to a 3.5% increase for current programs, services, and operating transfers. For FY 2025, the percentage operating adjustment will be translated into a dollar value for each department head to consider as priorities dictate. Mission critical program enhancements (Expanded Requests) will be reviewed on a case-by-case basis.

Limited general governmental operational expense increases are expected and will be appropriated to account for new programs and services instituted during FY 2024, inflationary adjusted fixed costs and maintaining a competitive compensation package. The December 2023 over December 2022 CPI for the Miami Fort Lauderdale SMSA is 5.7%. *It is expected that the inflation rate will moderate over the coming months.*

A control line of 5% is planned for capital replacement and renewal transfers from the General Fund and Unincorporated Area General Fund. A significant portion of the remaining budget planning dollars will be applied to Agency-wide new capital projects not covered by the local option infrastructure sales tax or impact fees. This will manifest itself primarily through General

Fund and Unincorporated Area General Fund capital transfers for general governmental and constitutional facilities, the transportation network, parks, and stormwater.

For FY 2025 planning purposes and discussion in this policy document, the total General Fund Budget is programmed to increase by $3.2 million. The following table depicts by category the revenue and expense positive or negative changes connected with the FY 2025 General Fund Planning Budget and the variances from FY 2024. Also shown for comparison are the budget variances by category between FY 2023 and FY 2024.

Major Revenue Variances:	**Variance between Budget FY 2024 and Planning FY 2025**	**Variance between Budget FY 2023 and Planning FY 2024**
Ad Valorem Taxes	$6,665,000	$ 25,068,600
Sales Tax & Revenue Sharing	15,713,800	4,000,000
Department Revenues	(12,300)	1,250,500
Enterprise and Federal PILT and Cost Allocation	529,500	927,000
Transfer Revenue	(46,660,600)	(1,389,400)
Constitutional Officer's Turnback/Excess Fees	1,000,000	100,000
Interest	0	0
Carryforward	26,054,500	(20,160,400)
Less 5% Required Revenue Reserve	(122,400)	(1,520,900)
Total Revenue Increases	**3,167,500**	**8,275,400**

Major Expenditure Variances		
County Manager, Court and Other General Operations	$ 3,914,600	$ 4,288,400
Operating Transfer's	(122,200)	4,984,600
Capital & Debt Transfer's	(21,323,300)	(24,431,600)
Sheriff	12,679,500	16,544,800
Other Constitutional Officers	3,137,000	3,397,400
Reserves	4,881,900	3,491,800
Total Expenditure Increases	**3,167,500**	**8,275,400**

Several observations can be made from this table. As discussed throughout this document, property tax revenue dominates general governmental funding. Of significance also is carry-forward (fund balance) at year-end which influences expenditure planning and the respective capital and operating allocations. Maintaining a healthy fund balance requires priority funding of reserves as indicated in the analysis above.

The increase in General Fund budgeted carryforward planned at year ending 9/30/2024 is related to proactive budget planning and management knowing that target at year-end is between $140 and $150 million. The plethora of new general governmental initiatives; cash flow requirements connected with grants; constitutional officer statutorily required cash flow; steadily increasing asset replacement and maintenance recurring requirements; reserving dollars for future asset replacement and maintenance; positioning the budget to issue debt if necessary, during the budget cycle; and insuring budget flexibility demands that adequate cash be on hand at year-end.

The positive budgeted carryforward variance of $26.1 million from FY 2024 to FY 2025 is the result of forecast operating revenue above budget and expense side management. This position allows for flexible operating, capital transfer, and reserve appropriation planning leading into FY 2025.

The reduction in planned transfer revenue is attributed to one-time transfers from the Conservation Collier Acquisition Fund (1061) and Conservation Collier Maintenance Fund (1062) in FY 2024.

The planned increase in all General Fund budgeted reserves represents a regular managed increase of $4.9 million over FY 2024 consistent with policy planning standards. Impact Fee collections remain stable and for FY 2024 only $1.3 million is required from the General Fund to subsidize growth-related debt. While not a trend due to the volatility of impact fee collections, increased collections over budget is a contributing factor allowing for a greater level of General Fund capital transfers planned in FY 2025.

Each new program, service, initiative, or capital facility has recurring funding obligations, and the layering effect becomes magnified each fiscal year. Whether staffing and operating the Paradise Coast Sport's Complex and Big Corkscrew Regional Park, contributing to economic development incentive zones, satisfying approved economic development agreements, storm-water programming, senior facility initiatives, buying land, fostering workforce housing, supporting social services, investing in our public safety facilities or the myriad of other current or future funding requirements, the County's annual public safety investment and servicing a demanding and growing citizenry requires stable resources and currently that stable resource is primarily property taxes.

As a balancing measure, budget management is ongoing and expenditure controls are always in place and monitored continually. Likewise, execution patterns are scrutinized along with transfer dollars to make sure that appropriations are properly executed and spent for the intended purpose.

While it is important to recognize our ongoing program, service and capital commitments which have made Collier County "**the best community in America to live, work, and play**", the level of dollars devoted to this laudable goal must be measured against the continued need to maintain prudent reserve levels; protect against any revenue shortfalls; guard against any assault by the state legislature on the ad valorem and general county tax/revenue structure; and fulfill public expectation to maintain/enhance service levels. Maintaining appropriate General Fund cash is always a major focus and by policy the cash position is set at a minimum of 15% of actual expenditures. Given our current General Fund reserve levels and cash flow requirements, it has been prudent and OMB staff strives to maintain a cash position in this fund of between 20% and 30% of actual expenses. The actual General Fund cash and cash equivalents position at year ending 9/30/23 totaled $161.6 million or 29.3% of actual expenses for FY 2023.

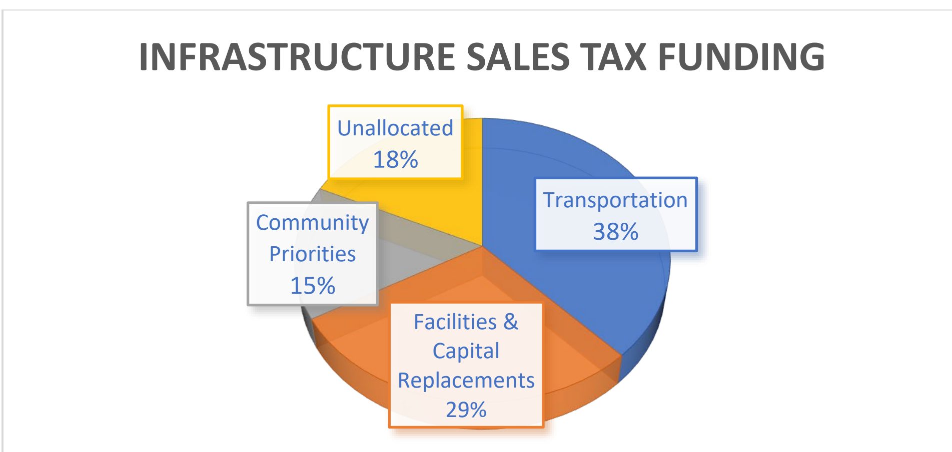
Each fiscal year the cash requirements due from the General Fund during the first quarter of the fiscal year grow and is necessary to satisfy mandated cash flow transfers to the Constitutional Officers, meet general operating requirements, debt service, required CRA and Innovation Zone transfers and generally sustain operations in advance of property tax receipts received in December.

County Grant Funding:

County participation in the State and Federal grant process remains aggressive but while the common thinking is that grants are free money, the administrative burden surrounding application; on-site post-award administration; and single audit compliance notwithstanding the local match requirements and cash flow realities must not be overlooked. Program areas where grants are prevalent include the Metropolitan Planning Organization (MPO), Transit, Housing, Transportation, Stormwater, Airport, Parks, Disaster Recovery, and other areas. As of February 2024, the County had $433.5 million in active grants plus another $114.7 million scheduled to become active. Of the total $433.5 million active or soon to be active grants, the local match requirement totals $66.5 million which must be found through the budget amendment process by the respective Department's from existing appropriations as part of the grant award process.

Local Option Infrastructure Sales Tax:

Local Option Infrastructure Sales Tax Capital Fund (3018) provides the accounting structure for managing all projects approved by the Board consistent with Ordinance 2018-21. As of January 2024, there are thirty-nine (39) approved projects budgeted within three project categories: Transportation, Facilities & Capital Replacements, and Community priority projects. Once a project is approved by the Board, the project accounting structure is set up and budget is moved from reserves to a project budget. As of now, a total of $504.9 million in infrastructure sales tax revenue has been received. Additionally, interest income on these proceeds has amounted to $12.8 million to date. Given that the expected revenue of $490 million was reached in FY 2024, the Board authorized the sunset of collections, effective December 31st, 2023.



Future General Governmental Capital Improvements

<u>Long Term Capital Reserve</u>

Recognizing the County's mounting future general governmental asset maintenance responsibility, a Reserve Fund was created for FY 2020, fencing off dollars in incremental amounts annually dedicated to protecting the County's future hard and soft general governmental infrastructure investment. Regular annual deposits to this fund emphasizes the need to isolate dollars for future asset maintenance obligation, knowing the many competing programs, services, and initiatives must receive dollars from a limited resource pool. For FY 2025, $5 million is planned to be funded bringing the total reserve amount to $27.5 million. Drawing on this reserve will of course require

Board action under guidelines developed by OMB and the County Manager. For example, in FY 2023 reserves were reduced by $30 million to provide funding to respond to Hurricane Ian.

<u>Capital Asset Management</u>

Each year a significant portion of available annual resources are devoted to the maintenance and management of the County's general governmental infrastructure base. This strategy will continue knowing that nonrecurring proceeds from the Local Option Infrastructure Sales Tax can only be used for capital construction and that the proceeds will be applied to specifically identified and strategic capital projects. The current pay-as-you-go strategy recognizes that satisfying all new planned and programmed capital requirements over the next five (5) years contained within the Capital Improvement Element (CIE) will require some financing component despite the local option infrastructure sales tax.

The County issued competitive bond financing in November 2020 to maintain, replace existing and construct new storm-water infrastructure; replace park aquatic systems and related recreation improvements; payoff variable rate commercial paper used to purchase the Amateur Sports complex property, and purchase strategic eastern lands property. Augmenting the annual cash and carry component of infrastructure maintenance are dollars set aside in a separate reserve fund for future infrastructure replacement and maintenance. Available resources will continue to be allocated in the most prudent and economical manner to fund operations at required service levels and construct and maintain strategic capital improvements.

The following table provides a description of historical budget allocations and what is currently planned in FY 2025 from the General Fund budget to support ongoing asset maintenance, strategic new capital requirements and fund growth and non-growth debt obligations.

Category General Fund	Non-Growth Debt	Investment for Impact Fee Funds - Debt	Investment for Impact Fee Funds – Projects*	County Wide Capital	Transfer for Other Capital	Transfer to Parks	Transfer to Road Network	Transfer to Storm-Water Capital	Long Term Replacement Capital Reserve	Total
FY 2016	$3,077,500	$5,376,500	$900,000	$10,677,500	$4,333,100	$750,000	$14,559,800	$1,549,600	$0	**$41,224,000**
FY 2017	$3,073,000	$2,476,900	$0	$10,697,500	$4,000,000	$2,495,700	$8,460,000	$2,525,000	$0	**$33,728,100**
FY 2018	$2,855,200	$3,306,800	$2,000,000	$12,006,000	$4,313,500	$1,100,000	$11,650,400	$1,627,000	$0	**$38,858,900**
FY 2019	$3,479,400	$3,958,700	$216,200	$11,160,800	$645,000	$1,100,000	$8,555,800	$2,500,000	$0	**$31,615,900**
FY 2020	$3,694,200	$1,040,200	$0	$10,591,500	$1,625,600	$3,200,000	$9,388,900	$4,694,400	$5,000,000	**$39,234,800**
FY 2021	$3,650,400	$2,192,100	$0	$12,265,900	$4,753,000	$3,350,000	$8,817,300	$4,868,800	$5,000,000	**$44,897,500**
FY 2022	$8,908,000	$1,832,000	$0	$20,743,600	$4,435,000	$3,070,000	$8,817,300	$2,677,800	$7,500,000	**$57,983,700**
FY 2023	$7,774,700	$757,700	$0	$29,918,600	$6,628,300	$3,177,500	$10,625,900	$8,271,500	$18,300,000	**$85,454,200**
FY 2024	$7,957,100	$1,383,900	$0	$29,883,300	$16,839,100	$3,000,000	$9,200,000	$2,800,000	$21,667,300	**$92,730,700**
FY 2025	$8,189,100	$1,285,700	$0	$38,972,600	$2,210,000	$3,150,000	$9,660,000	$2,940,000	$5,000,000	**$71,407,400**

* FY 2016: Additional funding for Sheriff Substation. FY18: EMS Station. FY 19 EMS Station.

For FY 2025, funding as planned above will of course be subject to Board guidance on millage rates and taxable property values received in July 2025. For perspective, countywide capital and debt service expenses contained within the planning model and shown above amounts to **10.3%** of all General Fund planned appropriations for FY 2025. When you include Constitutional Officer transfers at **47.3%** of planned FY 2025 General Fund expenses, and reserves which are **11.2%** of total General Fund expenses, **these three components account for 68.8%** of all General Fund expenses in the planning model.

The General Fund regularly appropriates substantial dollars to new general governmental capital and asset replacement projects benefitting countywide residents. This level of capital planning which generally translates into approved budget appropriations provides part of the highly desirable budget flexibility which is essential to sound fiscal management. Preserving General

Fund cash, maintaining adequate reserves, protecting the County's superior investment quality credit rating, and paying debt service will always take priority as expenditure planning evolves. Generally, these priorities are strategically managed, and allocations are made in harmony with other capital and operating spending appropriations.

Robust capital contributions are also appropriated within the Unincorporated Area General Fund to augment the County's commitment to capital programming. The following table depicts these planned capital contributions.

Unincorporated Area General Fund	Transfer to Parks	Transfer to Roads	Transfer to Storm-Water Capital	Total
FY 2014	$0	$0	$1,300,000	**$1,300,000**
FY 2015	$500,000	$3,860,000	$1,050,000	**$5,410,000**
FY 2016	$500,000	$2,427,300	$4,011,800	**$6,939,100**
FY 2017	$750,000	$3,300,000	$4,172,000	**$8,222,000**
FY 2018	$1,250,000	$4,000,000	$4,267,900	**$9,517,900**
FY 2019	$2,750,000	$4,250,000	$3,000,000	**$10,000,000**
FY 2020	$2,500,000	$4,000,000	$1,300,000	**$7,800,000**
FY 2021	$2,950,000	$3,000,000	$3,125,200	**$9,075,200**
FY 2022	$3,450,000	$3,000,000	$3,125,200	**$9,575,200**
FY 2023	$3,450,000	$3,800,000	$5,387,900	**$12,637,900**
FY 2024*	$3,900,000	$13,600,000	$5,700,000	**$23,200,000**
FY 2025	$4,095,000	$14,280,000	$5,700,000	**$24,075,000**

* Effective in FY 2024 the transfer to Road and Bridge Fund 310 includes funding for landscaped median renewal and maintenance.

Issuing strategic variable rate short-term and/or fixed rate long-term debt is an important part of the County's capital improvement program under the basic premise that future residents should pay for improvements that they will enjoy and not just current residents. Further, the County's superior investment quality credit rating provides an opportunity to lock in lower interest rates.

Since October 2018, the County has issued $501 million in general governmental and enterprise debt to fund several strategic initiatives including:

- Series 2018 Tourist Development Tax bonds totaling $62.9 million dated October 2018 to finance construction of the Paradise Sports Complex.
- Collier County Water/Sewer District revenue bonds dated April 2019 in the amount of $76.2 million to finance the acquisition, construction and equipping of various utility capital improvements servicing the northeast area of Collier County.
- Strategic purchase in July 2019 of the Golden Gate Golf Course for $28 million through a taxable competitive bank loan.
- Series 2020 A&B tax exempt and taxable debt in the amount of $115 million dated October 2020 for strategic eastern lands property acquisition, construction of stormwater facilities and improvements to various park and recreation aquatic facilities.
- Collier County Water/Sewer District revenue bonds dated July 2021 in the amount of $128.9 million to finance the acquisition, construction and equipping of various utility capital improvements servicing the northeast area of Collier County and Golden Gate City.
- In June 2021, a $10 million commercial paper line of credit to finance Pelican Bay infrastructure improvements was authorized.
- In July 2022, a $30 million commercial paper line of credit to finance a portion of the Vanderbilt Beach Road Extension was authorized.

- In July 2023, a $50 million commercial paper line of credit to finance the construction of the North Collier Water Reclamation Facility Pretreatment Facility and Public Utility Renewal Projects.

The following chart provides a summary description of General Fund transfer dollars programmed for, FY 2020 through FY 2024. This table does not include debt service transfers or the annual long-term capital reserve transfer. **No projects within the table below are slated for funding from the Local Option Infrastructure Sales Tax.**

General Fund Supported Capital Category	FY 21 Budget	FY 22 Budget	FY 23 Budget	FY 24 Budget
Medical Examiner Bldg. Expansion & Repairs	$2,500,000	$0	$500,000	$2,200,000
Jail Windows	$0	$0	$950,000	$500,000
Jail & other Sheriff Facility Repairs	$0	$1,000,000	$1,000,000	$2,865,000
Sheriff's Gun Range Facility	$0	$0	$0	$500,000
Sheriff Helicopter Replacement	$2,000,000	$5,000,000	$0	$0
Sheriff Identification System Replacement	$0	$0	$1,000,000	$0
Sheriff's Substatiom #1 N Naples	$0	$0	$0	$400,000
Sheriff Caxambas Seawall	$0	$0	$600,000	$0
Voting Machines	$475,000	$0	$0	$0
Clerk's Annex Reorganization and Finance Dept Relocation	$1,800,000	$735,000	$0	$0
Financial Accounting System (SAP) Upgrade	$0	$2,000,000	$1,000,000	$1,000,000
Senior Center Renovations	$500,000	$0	$0	$0
Golden Gate Golf Course	$1,000,000	$0	$7,000,000	$2,500,000
Relocation of Campus Facilities and Office Operations	$540,700	$400,000	$0	$0
Library – Update interior	$0	$0	$630,000	$0
Library Capital/Books	$600,000	$500,000	$900,000	$1,000,000
General Building Maintenance Repairs	$5,000,000	$5,000,000	$6,922,200	$8,000,000
Major Projects & Roof Replacements	$0	$5,000,000	$0	$5,185,500
Video Monitoring System replacement	$0	$2,188,400	$2,545,900	$0
General Ops Business Park (GOBP)	$0	$0	$5,000,000	$0
Great Wolf	$0	$0	$2,000,000	$5,500,000
Paradise Coast Sports Complex	$0	$4,235,000	$4,000,000	$0
800MHz Radio Hardening	$0	$0	$1,213,000	$6,000,000
Other General Governmental *	(2,149,400)	($1,079,800)	$657,500	($267,200)
Cashflow Irma for consultants' invoices – waiting for FEMA	$3,326,500	$0	$0	$0
Museum Capital	$0	$200,000	$200,000	$200,000
Airport Capital (Grant Match)	$1,426,500	$0	$0	$0
Park Capital	$3,350,000	$3,070,000	$3,177,500	$3,000,000
Boater Improvement Capital	$0	$0	$428,300	$0
Transportation Capital	$8,817,300	$8,817,300	$10,625,900	$9,200,000
Storm-water Capital	$4,868,400	$2,677,800	$8,271,500	$2,800,000
Total	**$34,055,000**	**$39,743,700**	**$58,621,800**	**$50,583,300**

*Other General Governmental- completed projects with residual funding were moved to Reserves to help fund projects reducing the need for additional General Fund support.

Planned direct general governmental infrastructure replacement/maintenance funding on a pay-as-you-go basis for transportation, parks, and stormwater-related system improvements for FY 2025 under the current planning scenario totaling $15.8 million an increase of 5% from FY 2024. The remaining planned capital allocation earmarked for general governmental infrastructure replacement/maintenance and new capital improvement projects including the constitutionals totals $38.9 million. Allocations are subject to change as prioritization of the FY 2025 budget evolves leading into the June workshop.

Management has the flexibility to allocate these General Fund and Unincorporated Area General Fund transfer dollars to mission-critical projects or initiatives at the expense of those efforts not viewed as a high priority. This has been and will continue to be the management strategy given the competition for general government resources, uncertainty with the communication services tax, heavy reliance upon property taxes, and the natural hazards that can impact coastal communities.

Recommended Budget Policy: Develop a General Fund (0001) and Unincorporated Area General Fund (1011) operating budget utilizing a priority-based budgeting approach. Recommended millage rates will be calculated utilizing preliminary taxable value based on prioritized budget requirements within established control lines. Program adjustments or funding realignment may result in changes to the millage rates.

Use of Gas Taxes and Future Gas Tax Pledged Debt:

Gas tax dollars which align with the current gas tax ordinances not devoted to paying debt service will be available annually to support/supplement maintenance on the roadway network.

Large-scale projects and others identified in for completion in the five-year CIE between FY 2024 and FY 2028 have a projected shortfall of over $295.8 million. Funding strategies including issuance of debt supported by gas tax revenues is part of the long-term plan for transportation CIE funding Proceeds would fund identified Transportation system assets deemed “poor” in the inventory; capacity improvements not funded by the Local Option Infrastructure Sales Tax; and expansion of the eastern Collier County transportation grid. Large-scale projects identified in the five-year CIE which could be financed include Collier Boulevard (Green Boulevard to Main Golden Gate Canal), Vanderbilt Beach Road (16th Street NE to Everglades Boulevard), Goodlette Road (Vanderbilt Beach Road to Immokalee Road), Oil Well Rd (Everglades to Oil Well Grade) and Immokalee Road at Livingston and Immokalee Road (Livingston to Logan). Specific project engineering schedules will be reviewed, and the Finance Committee will continue to refine the concept and strategy.

In addition, a study conducted on the Immokalee Road Corridor Congestion plan has identified a potential need for a diverging diamond interchange to alleviate congestion. Although the interchange improvement isn’t currently included in the Florida Department of Transportation’s (FDOT) plan or the County’s Annual Update and Inventory Report (AUIR), the County would like to expedite the project, and state funding may become available. With an estimated cost of $40 million, staff is working towards a funding strategy and there is a possibility of securing future state funding, especially considering historical data on congestion and traffic patterns in the area.

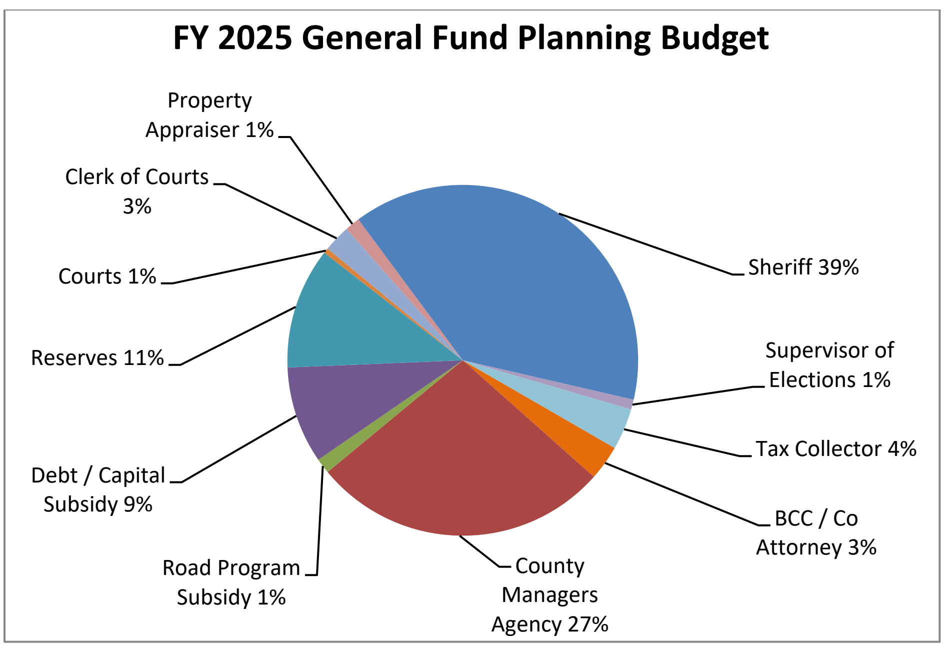
Gas taxes collected in FY 2023 from all sources totaled $25.2 million. Annual debt service is $13.6 million leaving the remaining $11.6 million programmed for construction and maintenance of the transportation network consistent with strict statutory guidelines.

Augmenting transportation network improvements budgeted in Gas Tax Fund (3083) are regular general governmental transfers to Transportation Capital Fund (3081). The General Fund capital and Unincorporated Area General Fund Capital transfers planned for FY 2025 to Fund (3081) are $9.7 million and $14.3 million respectively which represents an increase of 5% from FY 2024 budget. These dollars support maintenance on the roadway network including intersection improvements, resurfacing, sidewalks, pathways, medians, asset management and traffic control software, and other critical maintenance needs which are not eligible for gas tax funding by statute.

Recommended Budget Policy: Continue the Board's policy applying gas tax revenue to pay for debt service on the Gas Tax Revenue Bonds, and that the remaining gas tax revenue and transfer dollars from the General Fund and Unincorporated Area General Fund continue to support/supplement maintenance on the roadway network.

General Fund Budget Allocations by Agency and Component

The purpose of this allocation is to identify those agency appropriation components within the General Fund. All agencies work diligently with the County Manager in support of budget policies adopted by the Board. Equally important is the premise that all agencies would share in any budget reductions necessitated by new state tax reform initiatives, reductions in state shared revenue, and *unfunded mandates.*



Considering that planned transfers to the Constitutional Agencies in FY 2025 account for 48% of total General Fund budgeted expenses and 72% of the General Fund ad valorem budgeted revenue, their participation in any necessary reductions due in part to unexpected ad valorem revenue shortfalls, tax rate reductions or unforeseen unfunded mandates is essential.

It should be noted that these expense percentages are gross figures and do not account for statutorily required year-ending constitutional officer turnback. This turnback revenue is budgeted and forecast conservatively each year. Constitutional turnback revenue was $10.3 million and $13.7 million across all funds for years ending FY 2022 and FY 2023 respectively. The General Fund receives on average 91% to 96% of all turnback revenue.

Recommended Budget Policy: Continue this policy.

<u>Millage Targets for Collier County MSTU's, MSTD's</u>

A Municipal Service Taxing Unit (MSTU) is a mechanism by which a county can fund a service from a levy of ad valorem taxes, not countywide, but within all or a portion of the county. In the County budget, an MSTU is used to segregate the ad valorem taxes levied within the taxing unit to ensure that funds derived from such levy are used to provide the contemplated services within the boundaries of the taxing unit as required.

MSTU's are created by ordinance and generally there are provisions governing the maximum millage rate that can be levied. Local ordinance is the control, even if the rolled-back rate exceeds the ordained millage cap.

There are twenty-four (24) MSTU's active under Collier County's taxing umbrella.

Recommended Budget Policy: For FY 2025, it is suggested that MSTU's be limited to a millage rate sufficient to cover current budget year operations and planned annual capital program allocations.

<u>Revenue-Centric Budgets</u>

It is generally recognized that all budgets and expense disbursements regardless of fund or activity are revenue and cash dependent. This concept establishes that enterprise funds, internal service funds, certain special revenue funds, and other operational funds which rely solely on fee-for-service income with zero reliance upon ad valorem revenue should be allowed to establish budgets and conduct operations within revenue-centric guidelines dictated by cash on hand and anticipated receipts.

For FY 2025, revenue-centric budget parameters for enterprise operations will be tied to working capital guidelines established by GFOA; capital obligations from the capital improvement element (CIE); any rate or fee studies stipulations; priority agency-wide expansion initiatives; and statutory or ordinance spending limitations. A critical review of operating and capital reserve levels versus operating and capital appropriations will be discussed during County Manager budget deliberations with an expectation that enough recurring resources are devoted to maintaining the assets at a high standard while resources are set aside to protect cash and fulfill our fiduciary responsibility to public protection in the event of a natural disaster.

This concept also presumes continual monitoring of cash and receipts and, if necessary, subsequent operational adjustments dictated by cash flow. Therefore, general governmental departmental spending guidance will not apply.

Certain cost centers or functions have a net cost to the General Fund (0001) or Unincorporated Area General Fund (1011). In these instances where fee for services offset the ad valorem impact, the budget reduction guidance should account for this positive impact upon the net cost to the General Fund (0001) or to the Unincorporated Area General Fund (1011). Under this revenue-centric approach, Departments will be held to their fee for service projections and any negative fee variances will be addressed through expenditure cuts and not subsidized by Ad Valorem taxes. Department Head discretion upon guidance by the County Manager should be afforded in these scenarios.

Recommended Budget Policy: Adopt this Enterprise Fund and General Governmental revenue-centric budget policy.

Mission Critical Program Enhancement (Expanded) Requests

For FY 2025, Departments will **carefully** consider program enhancement requests given ongoing elevated vacancy rates and operating expenditure guidance that will likely require a significant re-prioritization of the current budget. All program enhancement requests will be limited to new capital facility openings, priority-based service level adjustments, and/or historically strained mission-critical imperatives. These program enhancement requests must identify the strategic focus area(s) and strategic objective(s) that are being satisfied.

All budget-to-budget requests will be considered by the County Manager with recommendations presented as part of FY 2025 priority-based budget workshop discussions in June.

Recommended Budget Policy: Expanded requests will be limited to Board approved capital facility openings, priority-based service level adjustments, and/or historically strained mission critical imperatives with final County Manager recommendations presented at the June budget workshop.

Compensation Administration

The philosophy of Collier County Government is to provide a market-based compensation program that meets the following goals:

- Facilitates the hiring and retention of the most knowledgeable, skilled, and experienced employees available.
- Supports continuous training, professional development, and enhanced career mobility.
- Establish and maintain equity in the pay plan and rates paid to incumbents in those positions.

The Consumer Price Index 12-month percent change from December 2022 to December 2023 is 5.7% for the Miami-Fort Lauderdale area. It is generally expected that the inflation index will stabilize during the next 12 months. This is one of the indices that Collier County traditionally uses when considering a general wage adjustment. The annual Florida Relative Price Index, an index comparing the relative cost of living among the State's 67 counties, is also used as a basis for compensation plan recommendations. The most recently published Florida Relative Price Index lists Collier County as having the highest relative cost of living among the 67 counties in the State.

In consideration of current market conditions, for FY 2025 the County Manager is recommending a 3% increase to base salaries within each paygrade classification and an additional 1.5% allocation for a merit-based incentive program. In addition, a 0.5% allocation is recommended to strengthen certain targeted classification pay grades where market imbalances exist. Given the current average salary in the County Manager's Agency is $68,575, the collective recommended pay adjustments would result in an average of $3,429 per employee.

Recommended Budget Policy: Appropriate dollars equivalent to a 3% base wage increase to all classifications plus 1.5% to implement a merit-based incentive program and a 0.5% pay plan maintenance component to strengthen certain targeted classification pay grades where market balance exists. Total cost for the County Manager's Agency is approximately $7.5 million for FY 2025. In previous years, the Board of County Commissioners has authorized adjustments to the compensation plan as shown within the following table:

Program Component	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY24	FY25
General Wage Adjustment	$1,000	2.00% / $1,000	1.50% / $1,000	3.00%	2.90%	2.00%	$1,200 represents average of 2.2%	Greater of $1,200 or 2.00%	$1,000 @ 10/1/21; $1/HR @8/1/2022	8% Staff; 6.5% Directors; 5% Dept. Head and Above	5.00%	3.00%
Merit Program	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.50%	1.50%
Pay Plan Maintenance	0.00%	0.00%	1.50%	0.00%	0.60%	0.00%	0.50%	0.80%	Avg. 8.5% @1/1/22	0.00%	0.50%	0.50%
Total	**$1,000**	**2.00%**	**3.00%**	**3.00%**	**3.50%**	**2.00%**	**Average of 2.7%**	**Average of 2.8%**	**Average of ≈12.5%**	**See Above**	**Average of 7%**	**Average of 5%**

Health Care Program and Cost Sharing

The County Health Care Program is self-funded and seeks to operate the health plan with the same diligence as a small insurance company. Like an insurance company, the County faces a significant budget risk within the health plan due to the unpredictability of claim cost variances. Such variance is normal statistically and has its roots in the fact that total medical costs are extremely sensitive to the number of claimants who experience catastrophic losses. The expected number and size of large claimants is by nature extremely random and volatile. To manage and prevent this variability, the County reinsures catastrophic losses and maintains a prudent reserve to comply with Florida Department of Insurance requirements as well as to protect the General Fund from this volatility.

As of February 2024, 88% of the BCC population has elected health insurance coverage.

There are several goals that guide how the County operates the plan within the small insurance company context. These are:

1. Comply with all legal and regulatory requirements for plan operation.
2. Manage plan cost trends to be 30% or more below published trends.
3. Maintain overall controllable expenses, reinsurance costs, network fee arrangements, and reserves at prudent levels.
4. Protect our employees from the economic impacts of illness or injury.
5. Prevent illness and stabilize chronic health states, when possible, by helping our employees and their spouses become aware of their health, and act on that knowledge.

Although the goals have been met and County costs have continued to show a favorable trend compared to national and state averages over the last twelve years, medical plan costs, and the premium dollars required to fund them, continue to increase annually. The County's medical plan has been similarly impacted by these rising costs and as a result currently, there are two main challenges regarding the rates set forth in the health plan:

1. Current County and employee contributions to the fund will not cover future projected costs.
2. Though current reserves likely exceed what would be considered reasonable and have been used to cover past shortfalls in contributions to the fund, if rates are not changed, reserves may fall below required minimums as soon as FY 2026.

The longer rate action is deferred, the greater the imbalance becomes and the greater the needed increase will be. Assuming a 6.2% inflationary trend for health care costs, if rates are not increased, the fund reserve will be exhausted sometime during FY 2027 and the shortfall would be approximately $13 million.

Contributions (ER & EE)	10/23-9/24	10/24-9/25	10/25-9/26	10/26-9/27
Claims	$48,322,000	$51,295,000	$54,462,000	$57,839,000
Expenses	$4,629,000	$4,922,000	$5,252,000	$5,604,000
Total	$52,951,000	$56,217,000	$59,714,000	$63,443,000
Premium Income	$46,101,000	$46,651,000	$46,651,000	$46,651,000
Gain/(Loss)	($6,850,000)	($9,566,000)	($13,063,000)	($16,792,000)
Net Premium % (Loss)/Gain	-14.9%	-20.5%	-28.0%	-36.0%
Reserve	$26,375,000	$16,809,000	$3,746,000	($13,046,000)

The need for a dramatic rate increase can be avoided by modest action taken in FY 2025. **Therefore, it is recommended that there be a 7% program rate increase for FY 2025.** This increase would be the second consecutive annual increase required for multi-year program stabilization. Trends will be analyzed annually with the goal of adjusting rate structures to ensure coverage of plan cost and maintenance of a reserve level that includes statutory reserves plus an amount to cover cost variances with 99% certainty. It should be noted that employer health insurance contribution increases are absorbed within operating appropriations and the 7% increase will result in approximately $2 million in employer contributions across the County Manager's Agency. The average employee will see bi-monthly cost increases between $4 and $7 for single coverage and $10 and $16 for family coverage.

Since 2009, Collier County Government has invested in processes to heighten employees and spouse's awareness of their health and make available resources to assist covered employees and spouses in improving and maintaining their health. These programs have achieved meaningful reductions in risk and improvements in outcomes for the covered participants. Employees and spouses have embraced the County's preventive educational and qualifier processes which have contributed greatly toward the financial strength of the health program. Over the last 14 years, participation has been consistently more than 90% for those meeting the necessary qualifiers. This rate far exceeds those of large employers nationwide.

With the objective of mitigating necessary increases to the plan, the County will continue to emphasize participation in existing wellness program, proper structuring of reinsurance to manage adverse plan impacts and prudent plan management.

Coverage under the Plan extends to all eligible County employees, except for the Sheriff's Office, which operates its own self-funded plan. Historically, Board budget guidance has suggested that all agencies uniformly share health insurance contributions between employers and employees.

Recommended Budget Policy: In FY 2025, a 7% rate increase to the existing rate structure is recommended. This rate increase will result in an employer portion funding increase of approximately $2.0 million for the County Manager's Agency. Bi-monthly employee cost increases will be between $4 and $7 for employees with single coverage and $10 and $16 for employees with family coverage. It is suggested that these rate adjustments and the associated employer and employee share be uniform across all participating agencies, including the Constitutional Officers. This policy treats all county employees equally in terms of cost-sharing for health insurance premiums.

Retirement Rates

All agencies including Constitutional Officers must use the retirement rates published within the OMB budget instructions. OMB is monitoring all proposed bills. The legislature usually establishes the new retirement rates in the beginning of May with the Governor signing the bill into law at the end of May. The preliminary retirement rates that will be published in the instructions are based on proposed House and/or Senate Bills (Florida Statute Chapter 121).

Recommended Budget Policy: Adherence to the OMB rates published within the OMB budget instructions.

Accrued Salary Savings

When employees leave, they are generally replaced, and the process of replacement takes varying lengths of time depending on the position being recruited. This fact, coupled with the full budgeted amounts for health insurance and worker's compensation being transferred to the self-insurance funds, impacts the amount of accrued salary savings due to position vacancies. A 2% attrition rate has been utilized since FY 2016. For FY 2025, it is suggested that the rate remain at 2%.

Recommended Budget Policy: Continue the accrued salary savings policy at a 2% rate.

Financing New and Replacement Capital Infrastructure

The issuance of debt for capital improvements is generally considered as a good alternative to pay as you go under the philosophy that future taxpayers who will also enjoy the capital improvements should participate in funding capital improvements rather than that burden falling solely to existing taxpayers. Further, the County's superior investment quality credit rating, a revenue to debt service ratio well below the self-imposed cap of 13%, and not raising the millage rate to pay debt service for world class capital amenities provide further rationale for issuing strategic debt. Total unaudited general governmental and enterprise principal debt outstanding at 9/30/23 was $648.6 million and includes recent new debt issues from FY 2018, through FY 2022. Debt outstanding reached a high of $788 million in FY 2008.

Pursuant to the Collier County Debt Management Policy, several guiding principles have been identified that provide the framework within which the issuance, management, continuing evaluation of and reporting on all debt obligations issued by the County takes place.

Asset Life: The County will consider long-term financing for the acquisition, maintenance, replacement, or expansion of physical assets (including land) only if they have a useful life of at least five (5) years. Debt will be used only to finance capital projects and equipment, except in case of emergency. County debt will generally not be issued for periods exceeding the useful life or average useful lives of the project or projects financed.

Capital Financing: Debt of longer amortization periods will be issued for capital projects when it is an appropriate means to achieve a fair allocation of costs between current and future beneficiaries. Debt shall not, in general, be used for projects solely because insufficient funds are budgeted at the time of acquisition or construction.

To the degree possible, the County will rely on specifically generated funds and or grants and contributions from other governments to finance its capital needs on a pay-as-you-go basis. To achieve this, it may become necessary to secure short-term (not exceeding 5 years amortization) construction funding. Such financing is anticipated and allows maximum flexibility in CIP implementation.

A decision to issue some component of short or long-term debt is based upon the level of service standards, the timing of any capital improvement, the ability to execute, the credit market environment, and the cost of capital. The County had pursued a strategy in recent history (FY 2008 and prior years) by incurring short-term commercial paper loans for capital projects and refinancing that short-term debt with longer-term bonds or other long-term credit instruments which match the asset's useful life. Short-term commercial paper loans carry a low variable interest rate – with the February 2024 all-in rate currently at 4.78% - and funds can be accessed within about 30-45 days of approving the authorizing resolution.

The advantage of long-term competitively issued bonded debt, especially in a low-interest rate environment, is that budget certainty for the cost of credit is achieved. Generally, a project should be ready for construction and proceeds must reasonably be expected to be spent within a three-year window from debt issuance, or adverse tax consequences may occur. Long-term bonded debt or in the alternative competitively issued bank loans, can be issued normally within a ninety (90) day window. The County's current general governmental long-term debt portfolio is comprised of special obligation revenue bond debt under a covenant to budget and appropriate all legally available non-ad valorem revenue. It is anticipated that this type of long-term debt will be used under future new general governmental debt credit scenarios.

Interest rates have increased over the past year. If financing is needed for a capital project, then long-term bonded debt can still be considered knowing that when interest rates fall, there will be opportunities to refund the higher interest rate debt.

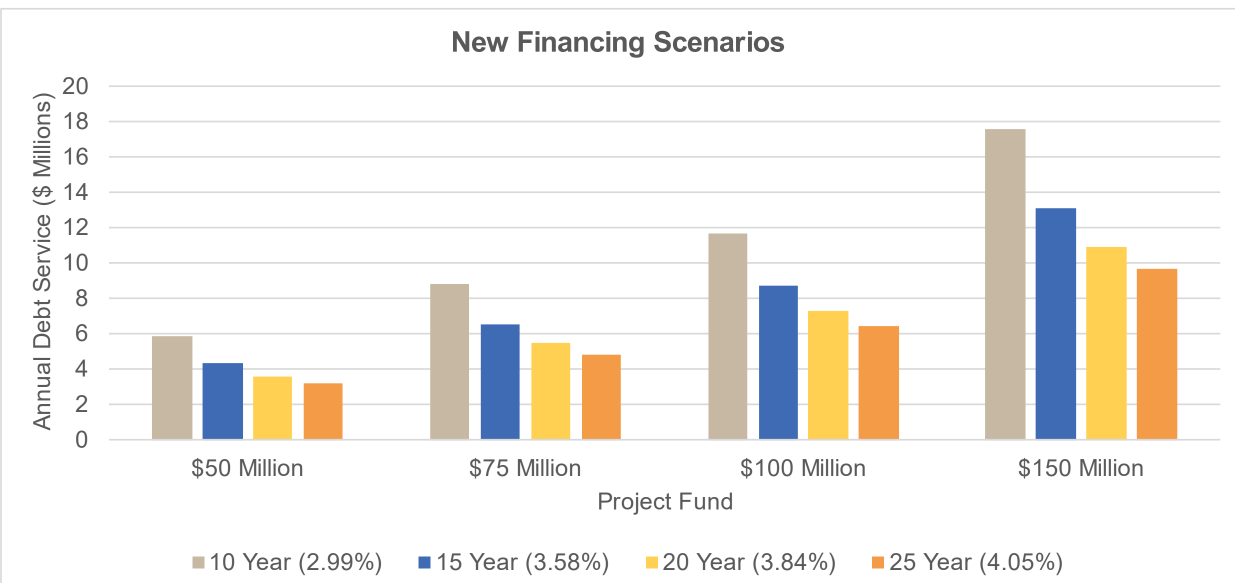
The County is always positioned to add new strategic debt to the portfolio after embarking upon an aggressive debt restructuring program in the summer of 2010, and to date over $531.2 million in general governmental debt has been refinanced. As a result, the cost of borrowing has been reduced by $3.1 annually with this recurring savings applied toward high-priority pay-as-you-go operating and capital programs. Annual principal and interest payments servicing outstanding general governmental and enterprise debt totals $66.8 million and represent 3.3% of the County's net adopted FY 2024 budget. The County continually looks for strategic and economically feasible debt restructuring opportunities.

Through the County's finance committee and financial advisor, the debt portfolio is evaluated regularly for opportunities to generate savings through debt restructuring. Countywide capital allocations have traditionally included new money components for general governmental capital projects as well as maintaining and replacing existing general governmental infrastructure.

Immediate Term New Debt Strategy: New debt will be considered as projects are engineered and progressing in the following circumstances:

- Financing in the amount of $157.9 million to construct the 4 MGD Central Collier Water Reclamation Facility (Golden Gate) and required DIW in Fiscal 2025. Additional financing of $153 million is anticipated in fiscal 2027 to construct the 4 MGD Northeast Water Reclamation Facility as well as a $238.3 million funding requirement in fiscal 2029 to construct the 10 MGD Northeast Water Treatment Plant, all included in the upcoming 10-year planning cycle.
- Any gap funding necessary to support water and wastewater system renewal and replacement projects.
- General Sheriff replacement capital improvements based upon a phased prioritized schedule.
- Gas Tax transportation network improvements.

The following illustrates various long-term financing scenarios, the annual debt service, and the respective interest rates.



Recommended Budget Policy: It is not suggested that any financing strategy be built into the FY 2025 adopted budget. It is recommended that the Finance Committee continue to work with the County's various agency department stakeholders regarding project scope, timing, and execution patterns and with our debt issuance team to develop a strategy and be ready to pursue a debt issuance plan based upon Board direction.

Storm-Water Management Funding

The budget planning model for FY 2025 allocates $19.2 million from the General Fund and Unincorporated Area General Fund toward cash and carry storm-water infrastructure replacement ($8.6 million); maintenance and operations ($8.4 million); and annual debt service on the November 2020 Special Obligation Revenue Bond Series A $60 million stormwater component ($2.2 million). Annual debt service will reduce the cash and carry capital allocation and project engineering and capital implementation is ongoing to spend down bond proceeds on strategic projects intended to update the County's stormwater system.

Recommended Budget Policy: For FY 2025 continue general governmental funding for storm-water maintenance and operations; cash and carry capital transfers and debt service from the General Fund and Unincorporated Area General Fund with the component funding identified above.

General Fund General Capital/ Debt Service Contribution

The following table identifies how General Governmental County Wide Capital contributions appropriated within the General Fund were programmed in FY 2024 and planned in FY 2025. General Fund transfers to Stormwater and Transportation System improvements are accounted for separately and not included in this General Capital programming scenario.

General Appropriation	FY 2022	FY 2023	FY 2024	FY 2025
Non-Growth Debt Service	$8,908,000	$7,774,700	$7,957,100	$8,189,100
Impact Fee Trust Fund Investments	1,832,000	757,700	1,383,900	1,285,700
General Governmental Capital Projects	20,743,600	29,918,600	29,883,300	38,972,600
Park, Museum, Airport, Sport Complex Transfers	7,505,000	9,805,800	3,200,000	3,360,000
Future Capital Replacement/Maintenance Reserve	7,500,000	18,300,000	21,667,300	5,000,000
Total	**$46,488,600**	**$66,556,800**	**$64,091,600**	**$56,807,400**

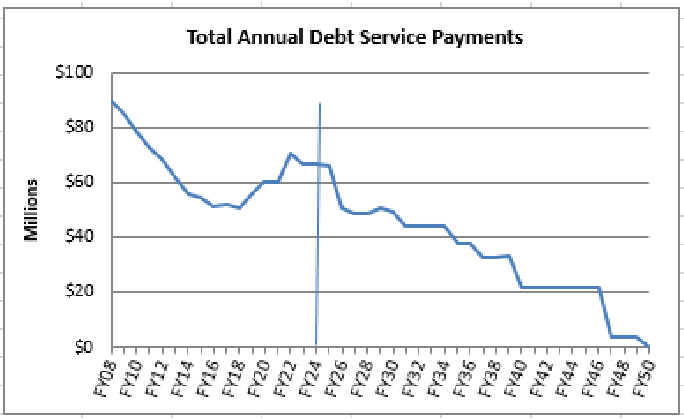
Planned contributions in FY 2025 represent an decrease from FY 2024 levels and this allocation may change depending upon Board's priority-based budgeting approach; Board adopted operational service level changes; or other reprioritized initiatives.

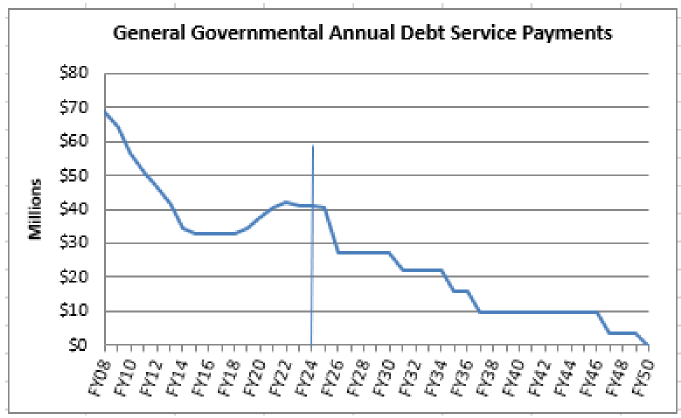
Total investment to the impact fee trust funds (i.e., EMS, Libraries, Corrections, Law Enforcement, and General Government Facilities) from the General Fund since inception (FY 2005) through planned FY 2025 totals $105.5 million. Going forward, the level of General Fund investment is heavily dependent upon the level of impact fee collections and any new eligible growth-related general governmental capital projects planned in the areas identified above which are not paid by the Local Option Infrastructure Sales Tax. Current general governmental growth debt, which is paid predominately from impact fees, expires in FY 2036.

General Fund loans to the Airports began on or about FY 1995 and to date various operational and capital subsidies total $29.8 million. In recent years, loans have not been necessary to subsidize operations or to support capital and the Airports have been making modest annual repayments to the General Fund.

Payment of debt is always a top priority. Under the FY 2025 budget planning scenario dollars allocated will cover all revenue bond debt service.

The principal and interest payments servicing all outstanding County debt (includes enterprise debt) totals $66.8 million and represents 3.4% of the County's net adopted FY 2024 budget. General governmental debt service represents 2.1% of the County's net adopted FY 2024 budget. The following charts depicts annual debt service payments servicing all debt and annual debt service connected with our general governmental credit.





Collier County's total un-audited principal debt outstanding at 9/30/23 totals $648.7 million of which $307 million relates to infrastructure improvements driven by population growth and related service demands. The County's principal debt is $139.3 million below the FY 2008 figure of $788 million.

Recommended Budget Policy: Continue General Fund countywide capital contribution for purposes of paying non-growth-related revenue bond debt; provide investments to impact fee funds to cover growth related debt obligations; and fund continuing general governmental priority capital needs.

General Governmental, Enterprise Fund, and Other Fund Reserve Policies

General Fund: Reserve is a budget/policy term referring to resources set aside to provide a financial barrier against risk. Likewise, reserves may also be referred to as a portion of fund balance – only on the expense side of the equation. Reserves are the cornerstone of financial flexibility and provide government with options for responding to unexpected issues and a buffer against shocks and other forms of risk. One such un-planned risk may, for example, include the potential for a grant award to be rescinded after work on the activity begins.

Grant revenues are appropriated at the time of award with the expectation of future cash inflows from the grantor agency. Until reimbursements are received, the General Fund and General Fund supported agencies provide the cashflow for most general governmental grant funded activities and are responsible for financing grant related activities in full, should the County default on any grant provisions or a grantor agency cancels, revokes, or de-obligates an award.

It is essential for governments to maintain adequate levels of fund balance to mitigate current and future risks, such as revenue shortfalls, natural disasters, and unanticipated expenditures. As such, budgeted reserves serve to protect the beginning cash position in a fund and are an essential component of Collier County's overall financial management strategy and a key factor in external agency measurement of Collier County's financial strength.

Various bond rating agencies recognize that the best reserve policies provide both specificity and flexibility accomplishing one or more of at least the following three criteria:

- establishing a target level of reserves or a reserve floor
- specifying the appropriate circumstances for drawing down reserves
- directing the replenishment of reserves

In general, rating agencies view positively higher reserve levels, although local governments can maintain high credit ratings with lower reserve levels if other indicators of financial flexibility, such as revenue raising ability, stable diverse revenue structure, expenditure flexibility, and conservative budgeting practices are strong.

A reserve for contingency is typically budgeted in all operating funds, except for the Constitutional agency funds. Reserves for the Constitutional Agency funds shall be appropriated within the County General Fund.

The following is a history of budgeted reserves within the General Fund and Unincorporated Area General Fund since FY 2014 as well as the percentage of reserves against total operating expenses.

Fiscal Year	General Fund Reserves	Unincorporated Area General Fund Reserves	% of General Fund Expenses	% of Unincorporated GF Expenses
2025	$77,072,000	$6,562,500	11.2%	8.3%
2024	$72,190,100	$6,759,700	10.5%	8.8%
2023	$68,366,400	$4,722,800	12.1%	6.2%
2022	$64,856,900	$4,189,100	13.7%	6.7%
2021	$56,798,900	$2,695,500	12.8%	4.4%
2020	$51,532,900	$2,340,600	12.1%	3.9%
2019	$44,481,200	$2,982,300	11.4%	5.3%
2018	$40,450,300	$3,255,000	10.8%	5.5%
2017	$33,899,700	$2,432,900	9.6%	4.8%
2016	$27,890,800	$1,905,600	8.4%	4.4%
2015	$26,670,700	$2,220,100	8.5%	5.6%
2014	$26,217,400	$1,715,000	8.9%	4.5%

Optimally, and to achieve a regular and sustained General Fund beginning fiscal year cash position, budgeted reserves should be a minimum of $70 million. Otherwise, expense-side management of the budget in the form of capital transfer reductions and/or reductions in operating transfers may become necessary.

Budget management is always ongoing and more magnified at times when Hurricane events occur. Expenditures and revenues are monitored continually, and any budget adjustments are made accordingly. Likewise, execution patterns are scrutinized along with transfer dollars – specifically out of the General Fund to make sure that appropriations are properly executed and spent for the intended purpose.

Florida State Statutes: In all respects, budgeted reserves shall conform to requirements of Florida State Statutes. The State establishes maximum limitations on certain reserves. The maximum limitations for contingency reserves and for cash flow reserves are 10% and 20% of a fund's total budget respectively. There is no statutory limit on capital reserves.

Recommended Budgeted Policy Reserve Position for the General Fund: The Government Finance Officers Association (GFOA) recommends as a baseline, or floor, that General Fund reserves be set at 16% of regular operating revenues or 2 months of regular operating expenses. This would put Collier County's General Fund reserve floor (minimum) based upon FY 2025 budget numbers, in the $98M-$102M range.

Collier County has never attained a General Fund budgeted reserve position higher than the FY 2025 proposed position of $77.1 million. This reserve position includes a contingency reserve level of 3% of operations. While Collier County is vulnerable to extreme weather events given its coastal location, the County's revenue sources are relatively stable and expenditure patterns are not volatile. Further, the General Fund budget is flexible with FY 2025 planned capital transfers out representing 9% of appropriations. In addition, the County's total all-funds reserve position is stable and will be used in part to cash flow a significant weather event or other natural disaster. These factors suggest a less aggressive reserve position with a floor or minimum of 8% of operating revenues and a ceiling or maximum not to exceed 16% of operating revenues. Applying these percentages to our current FY 2025 proposed planning budget, the reserve floor and ceiling would total $44.9 million and $89.9 million respectively. Planned reserves within the General Fund fall within this range.

Replenishment of reserves that drop below the targeted floor (minimum) would occur in succeeding budget cycles in such amounts as deemed prudent under existing economic conditions as approved by the Board. The goal will be to recover at least 25% of the reserve shortfall in year one; 25% in year two; and the remaining shortfall in year three.

Recommended Budgeted Reserve Position for Other General Governmental Funds including the Unincorporated Area General Fund: The Unincorporated Area General Fund is primarily an operating fund. While capital transfers have increased over the past few years, the Unincorporated Area General Fund and, for that matter, other general governmental funds do not have nearly the cash flow requirements of the General Fund. Thus, the reserve target for the Unincorporated Area General Fund should be set at 8.3% of operating expenses or approximately one month's expenses which for planning FY 2025 is approximately $6.6 million.

Reserve requirements for other General Governmental Funds including those that receive significant transfer revenue from the General Fund will be sized to cover operations during the first month or until the first General Fund transfer is scheduled pursuant to the OMB Transfer Schedule.

Reserves Policy Position for the Motor Pool Replacement Family of Funds (4009, 4072, 4051, 5023)

The Motor Pool Replacement Funds were re-established in FY 2016. The annual funding of the Reserve will be through an annual billing to the applicable user Divisions in an amount equal to the future cost of the vehicle divided by the useful life of the vehicle.

In FY 2016, the Motor Pool Replacement Fund was established for the various General Governmental Funds (5023), Water/Sewer District (4009), and Solid Waste (4072).

In FY 2017, the balance of user Divisions were included in the appropriation plan, i.e.,: EMS (4051) and Road and Bridge/Stormwater (Funds 1001 and 1005/5023).

Reserves within the four Motor Pool Replacement Funds maintain a current replacement reserve (reserve for future capital) equal to a minimum of two (2) years' estimated replacement cost of vehicles currently in service.

Reserve Policy Position for the Pelican Bay Services Division Family of Funds (1007, 1008, 3040, and 3041).

Operating Reserves Fund (1007) – It is recommended that the fund's reserve position be established at between 15% and 30% of operating expense. This is particularly important given the districts coastal nature, level of infrastructure investment, natural assets, and commitment to maintenance and resource protection.

Street Lighting Fund (1008) – The level of reserves in this fund will be established in such amounts necessary to set aside funding to accomplish lighting projects consistent with the Pelican Bay Community Improvement Plan.

Capital Project Funds (3040 & 3041) – Reserve levels are generally minimal with most budgeted dollars appropriated within defined and active projects.

Reserve Policy Position for Enterprise Funds, including the Collier County Water-Sewer District Fund (4008, 4012, 4014) and the Solid and Hazardous Waste Management Funds (4070, 4071, 4073, 4074).

General: According to the GFOA, it is essential that a government maintain adequate levels of Reserves in its enterprise funds to mitigate current and future risks like revenue shortfalls and unanticipated expenses and to ensure stable services and fees.

Collier County Water-Sewer District (CCWSD) Funds 4008, 4012, and 4014: Like a General Fund reserve, a utility system reserve position may be measured as a percent of regular revenues or regular expenditures, depending on the predictability or volatility of each.

The Collier County Water-Sewer District (CCWSD) reserve policies should be based on sound fiscal principles designed to enable the utility to maintain continuity of operations in adverse conditions and avoid user rate shock (rate stabilization).

In addition, various bond rating agencies, particularly Fitch Ratings, recognize that the best reserve policies provide both specificity and flexibility, accomplishing one or more of at least three main criteria:

- Establishing a target level of reserves,
- Specifying the appropriate circumstances for drawing down reserves, and
- Directing the replenishment of reserves

For enterprise funds, the GFOA recommends starting with an assumption of 90 days and adjusting based on relevant risks with 45 days as a bare minimum, and recognizes the difference between enterprise funds that are supported by the general government and those that are not.

The utility system, with gross assets of approximately $1.7 billion, should maintain a reserve position necessary to ensure the maintenance of life-sustaining services to the public during non-routine and unforeseen disaster situations such as hurricanes or other related weather events, other environmental or natural disasters, or other events that cause disruptions in public services, such as system failures and line breaks.

Collier County lies within a coastal zone highly susceptible to hurricane and storm damage to water and sewer treatment facilities, transmission lines, and distribution/collection mains. Many of the buried water and wastewater lines sit in sandy soil that is prone to shifting during heavy rain events. Uncertainty in economic markets with regards to the cost of construction materials, interest rates, personnel and health costs add to the risk factors facing the utility. In the CCWSD, user fee revenue is used to support the operating budget as well as the capital repair and rehabilitation program for the horizontal (in-ground) and vertical (above-ground) assets.

Reserves can be classified as either “restricted” or “unrestricted”:

- Restricted Reserves - are those established for specific purposes only, such as debt reserves required by bond covenants, and/or reserves for growth in the impact fee funds which can be utilized only for growth projects.
- Unrestricted Reserves – are available to ensure continuity of services as identified above.

Unrestricted reserves in the CCWSD include general contingencies reserves (i.e., “rainy day” significant unforeseen events), cash flow reserves in the event of revenue disruptions, or capital reserves for necessary but unforeseen repair and rehabilitation projects.

Recommended Reserve Policy for the CCWSD: At a minimum, the unrestricted reserves should be budgeted within a range of 5% to 15% of budgeted revenues (revenues are stable but may be subject to temporary disruptions from hurricanes or natural disasters), or within a range of 45-90 days of budgeted operating expenses (operating expenses are more volatile given aging utility infrastructure and unforeseen events). Unrestricted reserves in Fund (4008), (4012), and (4014) for FY 2024 total $33.3 million which represents 54 days of operating and capital.

Replenishment of unrestricted reserves that may drop below the targeted floor (45 days) would occur in succeeding budget cycles in such amounts as deemed prudent under existing economic conditions as approved by the Board.

<u>Solid and Hazardous Waste Management Enterprise Funds 4070, 4071, 4073, and 4074</u>: The Solid and Hazardous Waste program in Collier County includes the operation of the solid and hazardous waste disposal program, the recycling program, and the management of the mandatory residential curbside collections program. These funds also include both restricted capital reserves (Fund 4071 for landfill closure and disaster debris mission) and unrestricted operating and capital reserves. The department is responsible for the right of way disaster debris removal on County roads and monitoring projects for Collier County in the event of a natural disaster, such as the Hurricane Ian (Category 4, wet storm cash flow exposure of up to $45 million) event in the 4th quarter of 2023 and the Hurricane Irma (Category 3, dry storm cash flow exposure up to $65 million) event in the 4th quarter of 2017.

As such, the Solid Waste Division should maintain unrestricted reserves of 45 to 90 days of operating expenditures to be used to ensure the maintenance of on-going health and safety services to the public during non-routine and unforeseen disaster situations such as hurricanes and other weather-related events, as well as other environmental or other natural disasters that cause disruptions in public services.

Further, due to the magnitude of the impact that Collier County experienced in the Right of Way debris mission following Hurricanes Ian and Irma, a restricted cash flow reserve equivalent to 10% of solid waste revenues as a bare minimum should be funded to be used solely for upfront cash needs that accrue with significant natural disasters. This amount should begin to approximate reimbursements that would not be forthcoming from FEMA and the State of Florida (typically 12.5% of the cost of the debris removal mission). Such a restricted reserve balance mitigates the need to borrow from other Enterprise Funds and/or the General Fund while awaiting reimbursements from FEMA and the State.

Recommended Reserve Policy for the Solid and Hazardous Waste Enterprise Funds:
FY 2024 unrestricted reserves for the Solid and Hazardous Waste Management Enterprise Funds (4070), (4073), and (4074) total $15.6 million or seventy-nine (79) days of reserves.

Replenishment of unrestricted reserves that drop below the targeted floor (45 days) would occur in succeeding budget cycles in such amounts as deemed prudent under existing economic conditions as approved by the Board.

Contributing to a restricted reserve of 10% percent of the FY 2024 budgeted charges for services at a minimum would total approximately $7.0 million. The division is rebuilding its reserves after Hurricane Irma and Ian. FY 2024 restricted reserves for disaster response total $1.5 million.

Growth Management Division (GMD) - Planning & Regulation Enterprise Fund 1013 and Development Services Enterprise Fund 1014: Fund (1013), referred to as the Building Department Fund, collects revenues primarily related to building permit activities, including building permits, structural, electrical, plumbing, and mechanical inspections, plans reviews, and the licensing and oversight of building contractors.

GMD Building Permit Fund (1013) Recommended Reserve: Targeted reserves for this fund shall be 12 months of the total budgeted expenses of the current fiscal year.

The Growth Management Division/Planning & Regulation Fee Schedule, adopted by resolution of the Board of County Commissioners, provides the guidelines to implement fee adjustments if total reserves rise or fall below established thresholds.

Fund (1014), referred to as the Land Development Services Fund, collects revenues primarily related to land development permit activities, including planning and zoning, engineering, and environmental and natural resources.

GMD Planning Fund (1014) Recommended Reserve: Targeted reserves for this fund shall be 24 months of the total budgeted expenses of the current fiscal year. The extra 12 months of targeted reserves required in comparison to Fund (1013) reflects the unpredictable nature and length of processing time for land development related activities.

Internal Service Fund Reserves

Reserves for Internal Service funds reflect amounts that are intended for and must be used to meet a specific purpose.

The restriction can be set by legal agreement, statute, regulations, and/or mandatory reserves. For purposes of this policy emphasis is placed on the risk management group of funds and information technology.

Recommended Policy: To establish cash flow for the Internal Service Funds, using a benchmark of 90 days of the prior year's working capital.

Contingency reserves represent amounts available for appropriation by the Board to meet any lawful, unanticipated need of that fund. These reserve amounts are limited by Florida Statutes and cannot exceed 10% of the total appropriations of the fund.

Collier County is self-insured and is subject to mandatory reserves for losses. Each year an actuarial study is completed for each of the County's self-insurance funds and the present value of all outstanding losses is determined.

A margin based upon a confidence interval is then added to this base amount to assure that the estimate is adequate to meet future claim payments. The Board of County Commissioners has traditionally adopted, as contained within budget policy, a 75% confidence interval.

The Group Life and Health Insurance Fund within Risk Management have additional statutory reserve requirements that are calculated each year and added to the restricted reserve category. In addition, reserves will include an amount equal to at least the expected variance with 99% certainty.

The Information Technology Capital Fund's restricted reserve amounts are determined by the total of committed capital projects they have in progress at the end of the year. Once the projects are completed, any remaining funds may be re-appropriated. Designated reserves are established to provide funds for a specific purpose where the actual cost is unknown.

Suggested Scheduling Timeline

Decisions Required	Staff Adopted Date(s)
Establish Budget Submission Dates for the Sheriff, the Supervisor of Elections, and the Clerk of Courts	May 1, 2024 (Wednesday), by Resolution
FY 2025 June Priority-Based Budget Workshops	(BCC Agency/Courts and Constitutional Officers Budget Workshops) June 20, 2024 (Thursday) and if necessary June 21, 2024 (Friday) FAC Conference is June 25 – June 28, 2024, in Orlando/Orange County.
Adoption of Tentative Maximum FY 2025 Millage Rates	July 9, 2024 (Tuesday)
Submission of Tentative FY 2025 Budget to the Board	July 12, 2024 (Friday)
Establish Public Hearing Dates (see note)	September 5, 2024 (Thursday at 5:05 pm) September 19, 2024 (Thursday at 5:05 pm)

Note: The School Board has priority in establishing public hearing dates for budgets. The School Board's final budget hearing is tentatively scheduled for Tuesday, September 10, 2024.

The Commission chambers are reserved for the tentative dates for Collier County Government budget public hearings.

Recommended Budget Policy: Approve the dates identified above and the attached resolution establishing May 1, 2024, budget submittal dates for the Sheriff, the Supervisor of Elections, and the Clerk.

Continuing Routine Budget Policies for FY 2025

Grant-Funded Positions: Any positions formerly funded with grant funds being recommended for inclusion in a general (non-grant funded) operating budget shall be treated as expanded service requests.

Self-Insurance: To conduct an actuarial study of the self-insured Workers' Compensation, Property and Casualty, and Group Health Insurance programs. Program funding to be based upon an actuarial based confidence interval of 75%, except for group health which will be funded to include statutorily required reserves plus an amount equal to at least the expected cost variance with 99% certainty.

Contract Agency Funding: The Board will not fund any non-mandated social service agencies.

Carry forward (Fund Balance): All funds that are unexpended and unencumbered at the end of the fiscal year will be appropriated as carry forward revenue in the following year. Carry forward revenue represents not only operating funds but also previously budgeted operating, debt service, and capital reserves that are "carried forward" to fund these same reserves in the new year or to fund capital projects in the current or future years. The largest sources of carry forward are the capital, debt service, and enterprise funds. In both the General Fund and Unincorporated Area General Fund, carry forward is maintained to provide cash flow for operations prior to the receipt of ad valorem taxes and other general revenue sources.

Proper General Fund carryforward is necessary to meet significant constitutional transfer, public safety, and priority operating needs for October and November, prior to the receipt of any significant ad valorem tax revenue (ad valorem taxes represent 62% of the total FY 2024 General Fund adopted recurring operating revenues).

Carryforward balance is also an important measure used by bond rating agencies in determining the County's credit worthiness. Specific concerns for Florida communities are reliance on the tourism industry and sales tax revenue, and the ongoing threat from hurricanes and wildfires. For Florida coastal communities, a minimum cash balance of 15% of total General Fund expenditures was recommended by the ratings agencies. Of course, this figure and recommendation was general in nature and subject to each county's individual cash flow needs. A higher percentage would be considered positive – especially during any ratings surveillance.

The recommended level of year-ending cash in the General Fund should be a **minimum of 15%** of actual expenditures. At year ending September 30, 2023, actual General Fund cash and cash equivalents balance totaled $161.6 million an increase of $2.8 million over year ending September 30, 2022. The FY 2023 year-ending cash position represents approximately 29.3% of actual FY 2023 expenses.

Indirect Cost Allocation Plan: The policy of charging enterprise, special revenue, and grant funds for support services provided by General Fund departments will be used again in FY 2025. The basis of these charges is a detailed indirect cost allocation plan prepared, periodically, by a consultant and adjusted by staff to reflect the organizational environment on a real-time basis.

Impact Fees: Collier County will assess impact fees at such levels as allowed by law, established by the Board of County Commissioners, and supported by impact fee studies.

Enterprise Fund Payment In lieu of Taxes: The Solid Waste Fund and the Collier County Water-Sewer District will once again contribute a payment in lieu of taxes (PILT) to the General Fund. For FY 2024, the payment in lieu of taxes calculation was based upon a "franchise fee equivalent basis" commonly referred to as a percentage of gross receipts. Six percent (6.0%) of gross receipts of the Water/Sewer District were applied in FY 2024. This method and percentage will continue for FY 2025. One and three-quarter percent (1.75%) of Solid Waste tipping fees were applied in FY 2024 and this method and percentage is planned in FY 2025. This method is a common approach used by local governments and is generally consistent with fees paid by private utilities operating in a local government jurisdiction.

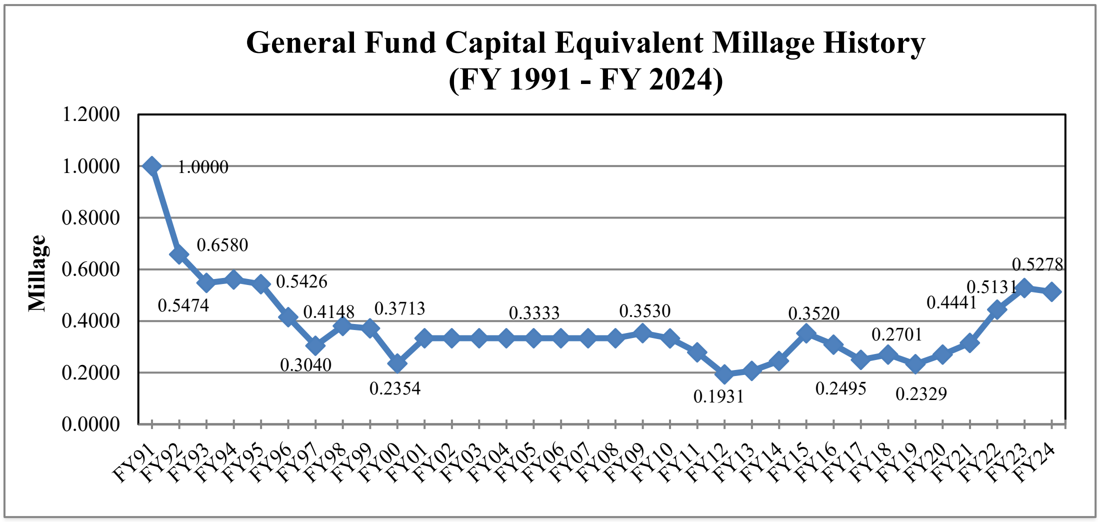
Prior to FY 2013, PILT was based upon the prior year General Fund millage rate multiplied by the prior year gross (non-depreciated) value of property, plant, and equipment.

Debt Service: Any capital projects financed by borrowing money shall limit the repayment period to the useful life of the asset.

Interim Financing: Collier County may also borrow funds on an interim basis to fund capital projects. In these cases, a repayment source shall be identified and the financing source that has the lowest total cost shall be employed.

The Collier County Debt Management Policy provides that debt restructuring for economic savings will be undertaken when a present value savings of at least 5% of the refunded debt can be achieved. The policy also states that 5% savings is often considered a benchmark and that any refunding that produces a smaller net present value savings may be considered on a case-by-case basis. A smaller net present value savings may be prudent for example when the intent is to eliminate old antiquated and limiting bond covenant language.

Ad Valorem Capital and Debt Funding: Continuation of a General Fund equivalent millage dedicated to ongoing regular general governmental capital projects, debt service, and investments for impact fee fund debt from the General Fund. The target rate is the equivalent of 0.3333 mills. (See history below).



The General Fund continues to invest money into impact fee funds to pay their annual debt service payments. This of course is in addition to normal and customary debt service on non-growth revenue bond debt. Investments from the General Fund to the impact fee trust funds began in FY 2006 and the value now exceeds $105 million.

Capital Improvement Program (CIP) Policies: On an annual basis, the County shall prepare and adopt a five-year Capital Improvement Element (CIE) consistent with the requirements of the Growth Management Plan.

- Capital projects attributable to growth will be funded, to the extent possible, by impact fees.
- Capital projects identified in the five-year CIE will be given priority for funding. The five-year plan for water and wastewater CIE projects will be based on projects included in the adopted master plans.

Unlike operating budgets that are administered at the appropriation unit level, capital project budgets will continue to be administered on a total project budget basis. The minimum threshold for projects budgeted in capital funds is $25,000.

Three-Year Budget Projections
Ad Valorem Tax Funds
(FY 2025 - FY 2027)

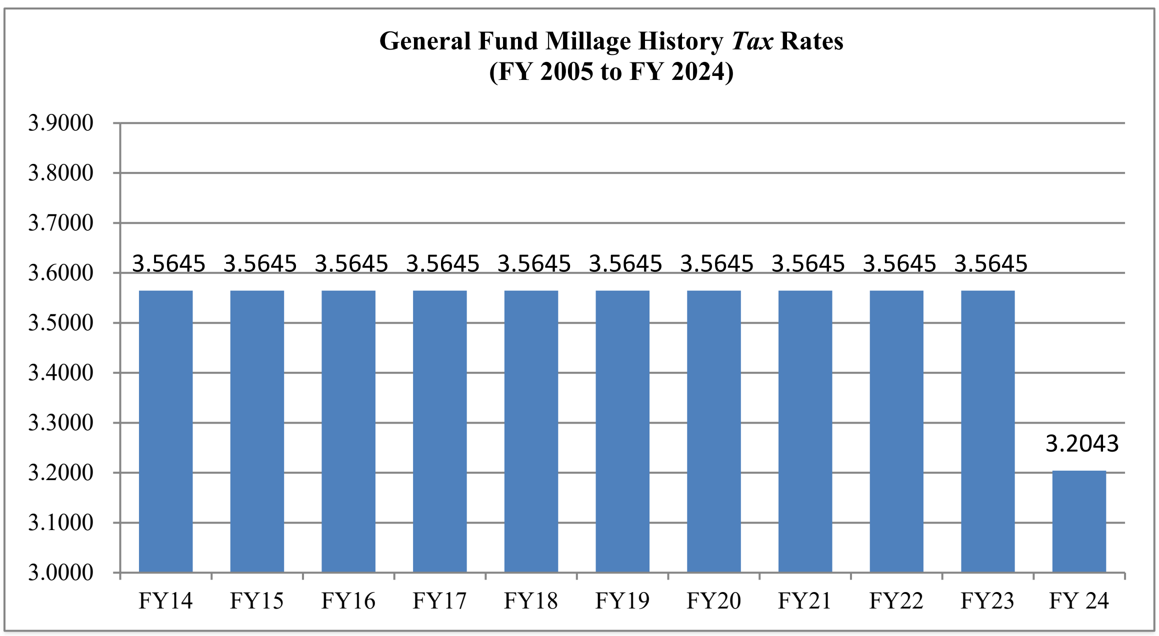
OMB staff prepares annually a three-year projection of General Fund and Unincorporated Area General Fund revenues and expenditures to improve financial planning and to understand the long-term impact of funding decisions. These projections are complimented by a **trend analysis** of revenues and expenses which conclude the General Fund and Unincorporated Area General Fund sections respectively.

The following 3-year budget projections are for the General Fund (0001) and the MSTD General Fund (1011).

General Fund

General Fund (0001) Millage History and Projected Millage Rates

As a point of reference, the following graph plots the historical General Fund millage rate. Moving forward millage rates will be established by a priority-based budgeting approach.



While the County Manager will be recommending a General Fund ***priority-based operating budget*** in FY 2025 and while this budget will contain funding for priority public safety and other significant asset maintenance/replacement initiatives, the Board should note the magnitude of our current and future asset maintenance responsibility, as well as significant new initiatives.

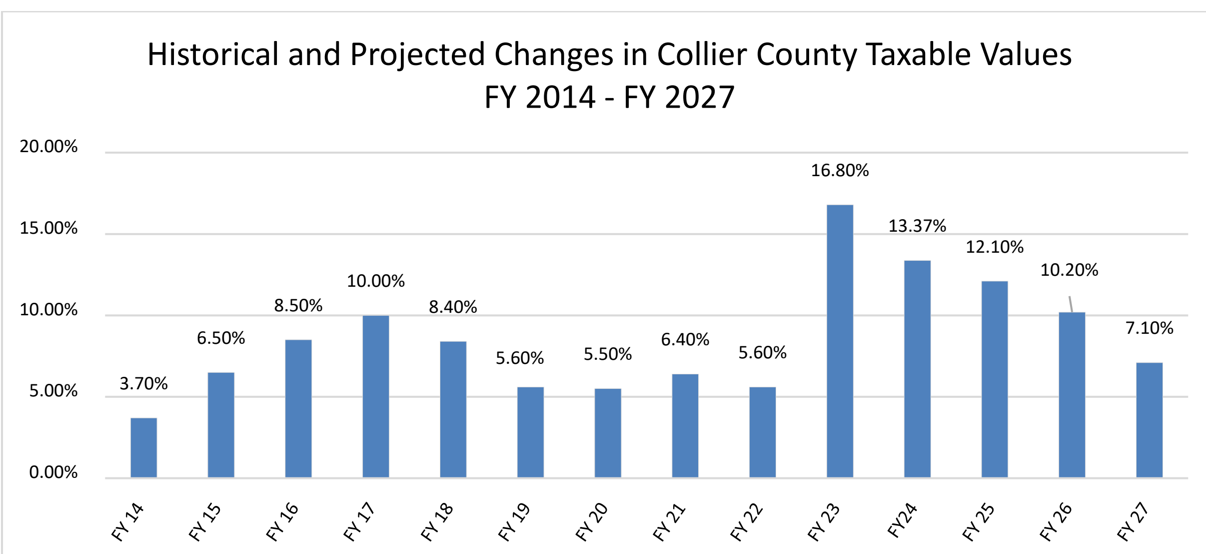
Diversifying the County's tax base means in large part attempting to reduce risk. Risk of an economic downturn which will surely stagnate resources and organizational risk where the risk of stagnate resources exponentially impacts operations and capital resource allocation. Significant future resources must be devoted to capital maintenance in numerous areas. We have addressed our future heavy equipment, public safety ambulance and general vehicle replacement needs. But there remains substantial asset maintenance and replacement needs, not the least of which is general governmental building maintenance, park's system infrastructure, constitutional officer capital requirements, and other general governmental capital functions like, information technology upgrades, accounting system replacement, and other soft infrastructure needs. Then there is the issue of maintaining existing storm-water infrastructure, which for FY 2025 will be funded through general governmental appropriations.

The Board directed a departure from the millage-neutral rate in FY 2024 and instead adopted the rolled-back rate of 3.2043. The table below illustrates the projected increase in growth-related ad valorem revenue for fiscal years 2024, 2025, and 2026 which is incorporated into the calculation of the rolled-back rate.

General Fund	Additional Budgeted Ad Valorem Revenue Projection Each Year
FY 25	$6,665,000 @ 1.5% Increase - Current Year Net New TV
FY 26	$6,765,000 @ 1.5% Increase - Current Year Net New TV
FY 27	$6,866,500 @ 1.5% Increase - Current Year Net New TV

For Collier County to continue providing high quality best value services; continue to address infrastructure maintenance and replacement; replace public safety and general governmental equipment and vehicles; and maintain its reserve and cash positions according to policy and representative of an investment quality credit rated organization, it is prudent to prioritize programs and work to diversify revenue sources. While reliance on property tax revenue has been a staple, there is growing recognition of the need to explore alternate revenue streams to maintain the extraordinary world-class infrastructure and programs that this community enjoys.

Based on estimates from the January 5, 2024 Ad Valorem Estimating Conference, the projected tax base increase for FY 2025 (the 2024 tax year) is 12.10%. Taxable value in FY 2026 is projected to increase 10.2% and taxable value in FY 2027 is projected to increase 7.1%. The Property Appraiser will provide preliminary taxable value estimates for FY 2025 on June 1, 2024 at which point a preliminary millage rate can be calculated based on budget requirements within the Board's established control lines. Actual and assumed changes in County taxable values are as follows:



FY 2025 Significant Expense Assumptions

A priority-based operating budget, assuming a 1.5% increase related to net new taxable value provides the County with the ad valorem dollars necessary to maintain our assets, invest in our personnel, and service those who live and visit Collier County. Significant expense assumptions include:

- Appropriate dollars equivalent to a 5% wage increase inclusive of a merit-based incentive program and pay plan maintenance component to strengthen certain targeted classification pay grades where market balance exists. The total allocation across the County Manager Agency is approximately $7.5 million.
- Appropriate dollars equivalent to a 7% increase in the employer health insurance cost.
- 2% attrition rate on regular salaries assumed in the County Manager's Agency.
- Motor pool replacement dollars for routine ambulance replacement on schedule.
- Planning capital transfer of $38.9 million for general governmental infrastructure replacement/maintenance and new capital improvement projects.
- $5 million allocation toward long-term general governmental asset maintenance reserve.
- Continued Social Service and Mental Health Funding.
- General Fund investment to the impact fee trust funds planned at $1.3 million.
- Stormwater maintenance, operations, and transfers for capital and debt service payments planned at $8.1 million.
- General Fund transfer dollars supporting road construction and maintenance funded at $9.7 million.
- General Fund support of EMS Operations established at $30.4 million.
- Full support for Transportation Operations from the General Fund (0001) exclusively in the amount of $28.6 million.
- Continued corporate IT capital funding.
- Mandates to be absorbed, if possible, within operating budgets, including Constitutional Officers.

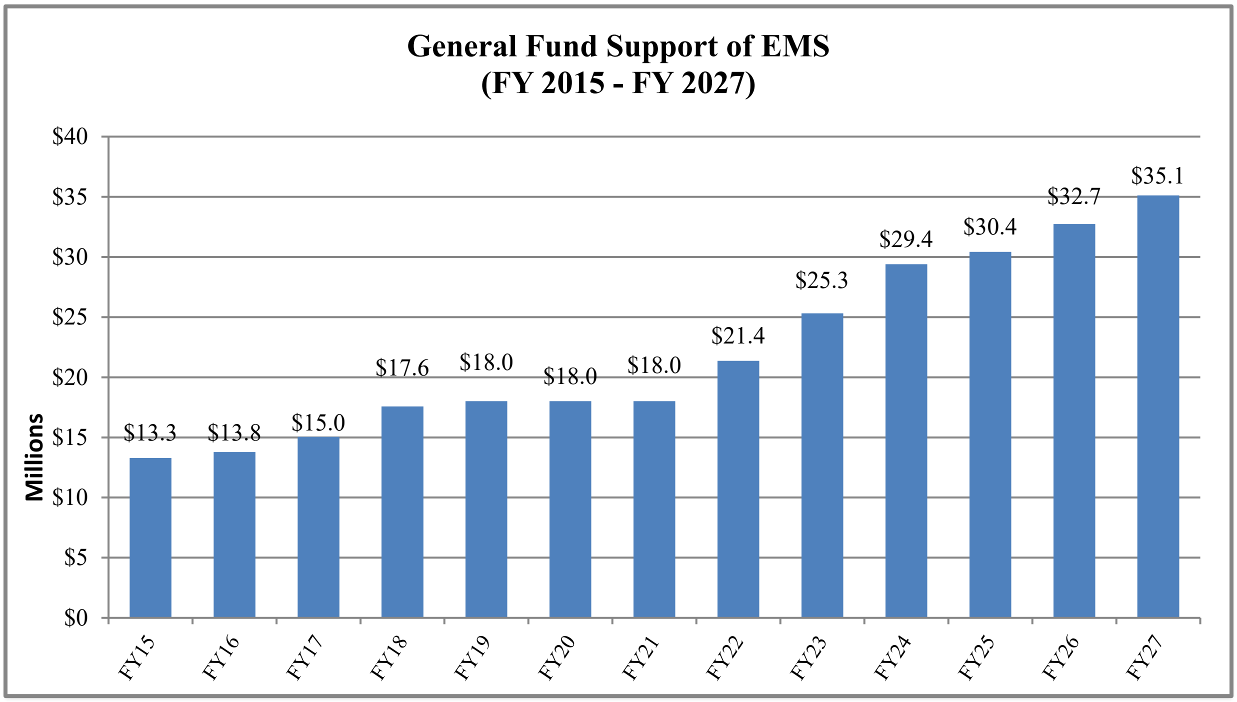
Significant Revenue Assumptions

- FY 2024 ad valorem tax revenue forecast is 95.5% of actual taxes levied. FY 2024 forecast totals $424.5 million – a reduction of $19.8 million from the adopted budget. Collections are within the 5% statutorily budgeted revenue reserve.
- Projected growth related taxable value increase of 1.5% produces a levy of $451 million for FY 2025.
- Sales tax revenue forecast for FY 2024 is projected at $61 million, an increase of $9.3 million from the adopted budget. FY 2024 budgeted revenue is planned at $63 million aligned with Department of Revenue projections.
- State Revenue Sharing forecast for FY 2024 is projected conservatively at $16 million. The FY 2025 budget is projected at $16.4 million, which is in line with the Department of Revenue estimates.
- Property taxes, sales taxes, and revenue sharing deposited in the General Fund represent 97% of all recurring operating revenue which excludes carry-forward (fund balance).
- Constitutional Officer turn-back is a conservative budget estimate and for FY 2025 $7.6 million is planned. Turnback to the General Fund at year ending 2023 totaled $13.7 million.

- Measures to maintain annual beginning cash balance are necessary and include continued growth in budgeted reserves coupled with any combination of revenue receipts over budget and expense side budget management.
- Interest income for FY 2024 is conservatively planned at $650,000.

<u>EMS Fund</u>

EMS Operations Fund (4050) is another fund that impacts the General Fund. Typically, this ad valorem support in recent years accounted for 45% to 55% of total EMS operating revenues. The percentage varies given the instability in fee revenue collections and any Board policy directives. The General Fund subsidy planned for FY 2025 is up $1 million. Historical and projected General Fund support of EMS operations by fiscal year are as follows: (FY 2026 and FY 2027 – Growth Units for Old US 41 and Heritage Bay).



Use of General Fund dollars to support this life/safety function has and continues to be a priority.

<u>Road Construction Program</u>

Board approved budgets have recently supplemented funding for the transportation network with general governmental dollars transferred from the General Fund to Transportation Capital Fund (3081). This transfer is sized annually based upon the recurring need to fund other strategic capital commitments. For FY 2025, the General Fund contribution to road construction and maintenance is planned to total $9.7 million which equates to a 5% increase over the FY 2024 budgeted transfer of $9.2 million. This transfer is subject to change based on priority and budget year execution patterns.

As future budgets are planned, and scarce resources allocated, infrastructure maintenance and non-growth-related improvements will certainly require a dedicated commitment of general revenue to protect this investment. Capital obligations necessitated by state or federal agreements, like JPA's and DCA's will be funded.

FY 2026

An operating budget in FY 2026 with an estimated increase of 1.5% in taxable value related increase from the current year's net new taxable value will continue to allow for priority funding of public safety capital initiatives and general governmental capital programming referenced in this document with proper budget management. This of course is in addition to the many new initiatives and program enhancements, Board directed or otherwise required to support an expanding service base, all of which compete for limited general governmental resources.

In addition to annual inflationary cost increases, the following items were included in the FY 2026 budget analysis:

- Maintain general governmental capital projects recurring funding.
- Maintain General Fund support of EMS.
- Maintain Contingency reserves at policy levels.
- Maintain General Fund road subsidy.
- Maintain General Fund support for park system maintenance and replacement.
- Maintain General Fund support for Transportation Operations expenses.
- Continue annual contribution to the long-term asset maintenance reserve.

In summary, FY 2026 analysis signals caution especially when critical variables like market conditions, and general revenues are difficult to predict. Pursuing an operating budget reliant on net new taxable value growth in FY 2026 without a proper budgeted beginning fund balance would likely result in a $58.5 million budget planning deficit as depicted in the trend analysis below. Of course, regular annual budget management to eliminate any actual equity reduction would occur in real time.

FY 2027

An operating budget in FY 2027 coupled with a 1.5% increase from the current year's net new taxable value can allow for continued funding of asset maintenance and replacement while funding those programs and services enjoyed by an expanding population base. Once again, prioritization and management of the budget will be important to achieve an appropriate beginning fund balance.

The following items were included in the FY 2027 budget analysis:

- Maintain general governmental capital projects recurring funding.
- Maintain General Fund support of EMS.
- Contingency reserves are maintained at policy.
- Maintain General Fund road subsidy.
- Maintain General Fund support for park system maintenance and replacement.
- Maintain General Fund support for Transportation Operations expenses.
- Continue annual contribution to the long-term asset maintenance reserve.

The General Fund Trend Analysis model shown below is intended to offer a picture of very conservative revenue projections against operating and capital expenses which will likely be faced in the out years. Of course, financial staff manages the budget in real-time and will mitigate unplanned equity reductions. But imagine a scenario where major revenue sources like state shared revenues were cut or reduced. The obvious impact would be subsequent expense reductions possibly coupled with new adopted revenue sources and thus the need for budget flexibility.

General Fund Trend Analysis

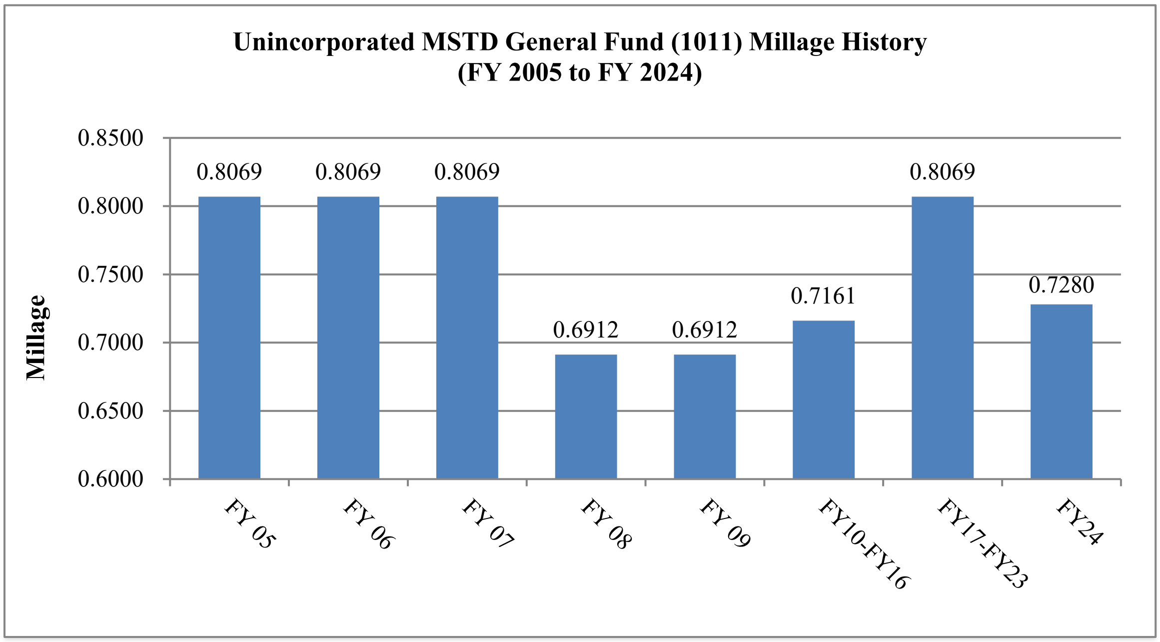
General Fund (0001) Trend Analysis

	Adopted Budget FY 2024	Forecast FY 2024		Projected FY 2025		Projected FY 2026		Projected FY 2027	
Revenues:									
Ad Valorem	444,334,400	424,470,000	-4.5%	430,837,000	1.5%	437,299,500	1.5%	443,859,100	1.5%
Sales Tax	52,000,000	61,275,000	17.8%	63,275,000	3.3%	65,173,300	3.0%	67,128,500	3.0%
Revenue Sharing	12,000,000	15,960,000	33.0%	16,438,800	3.0%	16,932,000	3.0%	17,440,000	3.0%
Transfer from Conservation Collier	46,710,800	46,710,800		0		0		0	
Other Revenues	38,959,200	39,139,900	0.5%	40,276,600	2.9%	39,623,700	-1.6%	39,981,200	0.9%
Less 5% Required by Law	(27,331,400)	0		0	N/A	0	N/A	0	N/A
Carryforward	120,712,600	161,567,900	33.8%	*146,767,100*	-9.2%	*88,286,900*	-39.8%	*17,319,700*	-80.4%
Total Revenues	687,385,600	749,123,600	9.0%	697,594,500	-6.9%	647,315,400	-7.2%	585,728,500	-9.5%
Expenditures:									
Departments/Divisions	111,841,900	107,848,600	-3.6%	111,126,300	3.0%	114,460,100	3.0%	117,893,900	3.0%
Operating Transfers	99,547,500	90,701,736	-8.9%	99,425,300	9.6%	102,296,600	2.9%	105,995,900	3.6%
Debt Service	7,957,100	7,957,100	0.0%	8,189,100	2.9%	8,360,000	2.1%	9,189,000	9.9%
Cap - Loans to Impact Fee Fds	1,383,900	1,383,900	0.0%	1,742,400	25.9%	2,325,700	33.5%	2,349,000	1.0%
Capital Transfers	83,389,700	83,389,700	0.0%	61,932,600	-25.7%	66,432,600	7.3%	64,822,600	-2.4%
Constitutional Officers	311,075,400	311,075,400	0.0%	326,891,900	5.1%	336,120,700	2.8%	356,711,000	6.1%
Reserves	72,190,100	0		0	N/A	0	N/A	0	N/A
Total Expenditures	687,385,600	602,356,436	-12.4%	609,307,600	1.2%	629,995,700	3.4%	656,961,400	4.3%
Revenues less Expenditures (Carryforward)		*146,767,164*		*88,286,900*		*17,319,700*		*(71,232,900)*	

Unincorporated Area General Fund (1011)

Unincorporated Area General Fund (1011) Millage History

The graph below plots the historical Unincorporated Area General Fund (1011) millage rate. Moving forward millage rates will be established by the priority-based budgeting approach.



Results of Unincorporated Area General Fund Analysis

The Board directed a departure from the millage-neutral rate in FY 2024 and adopted the rolled-back rate of 0.7280. The table below depicts the forecast marginal dollar increase resulting from an estimated 1.5% Current Year Net New Taxable Value.

Unincorporated Area General Fund	Additional Budgeted Ad Valorem Revenue Projection Each Year
FY 25	$920,100 - 1.5% Increase - Current Year Net New TV
FY 26	$933,800 - 1.5% Increase - Current Year Net New TV
FY 27	$947,800 - 1.5% Increase - Current Year Net New TV

FY 2025

The FY 2025 budget projection is based upon a 1.5% increase from the current year's net new taxable value. Property taxes and the state shared communications services tax represent about 93% of the budgeted operating revenue (less transfers) within the Unincorporated Area General Fund (1011). Once again, changes to the distribution and structure of the communication services tax could be discussed as part of any state legislative budget proposal. Also, there is the assumption that no legislation will be passed further eroding a local government's ability to set and raise ad valorem taxes or curtail other local revenue sources.

Projected Capital transfers of $25.2 million from the Unincorporated Area General Fund are programmed for FY 2025. These transfer dollars are programmed for Park improvements, Pelican Bay-Clam Pass, Transportation system enhancements, and Stormwater infrastructure.

In FY 2025, a priority-based budgeting approach will be utilized. Although expenditures are forecasted for the major areas, priority-based budgeting will reallocate funding across the departments based on optimizing resources and aligning funding with budget priorities.

FY 2026

The model assumes the current year's net new taxable value results in an increase of 1.5% which could result in a fund balance of $2.9 million as depicted within the trend analysis below. The model presents conservative revenue projections and a projected 2% increase in operational and capital expenditures.

FY 2027

Continuing the increase of 1.5% related to net new taxable value into FY 2027 would generate a modest increase in ad valorem revenue. This increase is certainly not enough to compensate for the loss in fund equity and planned capital asset maintenance depicted in the model. For planning purposes and assuming a continued decline in the beginning budgeted fund balance, a deficit of $4.2 million is depicted.

The Unincorporated Area General Fund Trend Analysis model shown below is intended to offer a picture of conservative revenue and expenses faced in the out years. Of course, financial staff manages the budget in real time and will mitigate unplanned equity reductions. But imagine a scenario where major revenue sources like property taxes or communication services tax revenues were cut or reduced. The obvious impact would be subsequent expense reductions possibly coupled with new adopted revenue sources and thus the need for budget flexibility.

Unincorporated Area General Fund Trend Analysis

	Adopted Budget FY 2024	Forecast FY 2024	% Chg Forecast Budget	Projected FY 2025		Projected FY 2026		Projected FY 2027
Revenues								
Ad Valorem	63,890,800	61,335,200	-4.0%	62,255,300	1.5%	63,189,100	1.5%	64,136,900
Communication Services Tax	3,800,000	3,800,000	0.0%	3,800,000	0.0%	3,838,000	1.0%	3,876,400
Other Revenue	5,011,200	5,165,200	3.1%	4,868,000	-5.8%	4,916,700	1.0%	4,965,900
Transfer From Conservation Collier	6,416,300	6,416,300	0.0%	0	-100.0%	0	N/A	0
Less 5% Required By Law	(3,616,600)	0	-100.0%	0	N/A	0	N/A	0
Carryforward	8,239,100	15,308,300	85.8%	15,542,900	1.5%	9,479,700	-39.0%	2,897,300
Total Revenues	83,740,800	92,025,000	9.9%	86,466,200	-6.0%	81,423,500	-5.832%	75,876,500
	-	-						
Expenditures								
Roads & Medians	5,832,800	5,832,800	0.0%	5,674,900	-2.7%	5,788,400	2.0%	5,904,200
Parks & Rec.	17,396,700	17,396,800	0.0%	18,006,800	3.5%	18,366,900	2.0%	18,734,200
Code Enforcement	5,555,500	5,555,500	0.0%	5,175,000	-6.8%	5,278,500	2.0%	5,384,100
Other Departments/Divisions	11,924,900	11,424,900	-4.2%	10,627,300	-7.0%	10,839,800	2.0%	11,056,600
Operating Transfers	11,957,000	11,957,904	0.0%	12,313,300	3.0%	12,559,600	2.0%	12,810,800
Capital Transfers	24,314,200	24,314,200	0.0%	25,189,200	3.6%	25,693,000	2.0%	26,206,900
Reserves	6,759,700	0	-100.0%	0	N/A	0	N/A	0
Total Expenses	83,740,800	76,482,104	-8.7%	76,986,500	0.7%	78,526,200	2.0%	80,096,800
Fund Balance (Revenues - Expenses)	0	15,542,896		9,479,700		2,897,300		(4,220,300)