Fiscal Year 2019
Adopted Budget Policies
Collier County Board of County Commissioners
March 13, 2018

Historically, the annual budget policy approved by the Board of County Commissioners (Board), has consisted of three (3) sections which are "annual budget policies to be adopted", "continuing budget policies to be reaffirmed" and a "three-year forecast for the General Fund and the Unincorporated Area General Fund". Annual policy adopted are highlighted in gray on policy document pages 16 thru 20; 22 & 23; 25 thru 35. While it is suggested that this format continue, the policy document will also cover significant budget influences and discuss the strategies which may be utilized to address these influences as the budget document evolves for FY 2019 and beyond.

The FY 2019 budget will be planned and prepared within a regional economic environment which remains relatively stable among key housing, employment, visitation and demographic indicators. Taxable value County wide has increased for six (6) consecutive years. Collier's median home price was $418K in December 2017, up $11K from December 2016. Median home prices have consistently reached the low to mid $400K value over the past year. Monthly single-family home sales decreased in December 2017 year over year by 13 units or 4% to 328 units. While January-December 2017 visitation to the destination was down 1.1%, those visiting the destination during the period spent more producing a total economic impact which increased 3.4%. New construction permitting remains positive with 194 permits issued in December 2017 representing an increase of 31 permits over November 2017. The County's unemployment rate for December 2017 was 3.8%. This rate is slightly higher than the State unemployment rate of 3.7% for the same December period and lower than the national unemployment rate of 4.1%. While the regional economy remains stable, fiscal conservatism must remain a guiding philosophy in our operational and capital budgetary planning and the budget will continue to be flexible to reduce the County's exposure in the event of an economic downturn.

Hurricane Irma Budgetary and Financial Impact

The County has set up necessary budget in an amount totaling $169.8 million and will be cash flowing all expenses anticipating reimbursement through insurance and FEMA. Since October 2017, regular reports have been prepared for every Board meeting documenting the budget amendments processed and actual expenses paid. Actual expenses paid to date total $76.2 million and it is expected that total Hurricane Irma expenses paid will likely range between $110 and $125 million. The County's local non-reimbursable share after receipt of FEMA reimbursements is estimated at $20 million. This local share will be paid from the General Fund to Solid Waste and general governmental capital funds; a loan from Public Utilities to Solid Waste and/or a combination of the approaches.

It is conceivable that the County will not see a significant amount of reimbursement revenue until FY 2019. Almost half of fiscal year 2018 is finished and no FEMA reimbursement revenue has been received. We have no history of how long it will take to receive any reimbursement revenue. To cash flow this natural disaster, three specific budget techniques were utilized. First, in funds where sufficient cash exists, FEMA revenue was budgeted and corresponding expense budget appropriated anticipating some level of reimbursement in the coming months. Note that there is no cash behind budgeting FEMA revenue. Existing and routine incoming fund cash is relied upon until the receipt of FEMA revenue. Second, $59.7 million in existing capital project budgets were re-allocated – primarily in the public utility, storm-water and road program areas. Third, reserves were drawn down from the General Fund and various utility funds.

The following summary table for FY 2017 and FY 2018 shows the extent of budget deferrals necessary to fund Hurricane Irma recovery as of February 27, 2018.

Fund Category	FEMA Revenue Budgeted	Capital Project Deferral	Reserves (Reduced)	Total Budget Deferrals
General Governmental	$15,537,800	$18,139,000	$16,877,100	$50,553,900
Enterprise	$48,500,000	$41,557,700	$22,300,000	$112,357,700
Constitutional - Sheriff			$7,000,000	$7,000,000
Total	$64,037,800	$59,696,700	$46,177,100	$169,911,600

Approximately 62.3% of all budget appropriations is intended to fund community wide debris removal; 10.4% is appropriated for debris removal from canals; and the remaining 27.3% is available to pay for various structural repairs and damage to the transportation network, parks system, general governmental buildings, landscaping and water and wastewater systems.

The Office of Management and Budget (OMB) is monitoring very closely, the reimbursement stream with a keen eye toward implementing any necessary FY 2018 budget cuts to ensure that sufficient cash balances are maintained in affected funds. Any necessary budget cuts will mostly affect capital transfers and direct capital budgets through reduction in general governmental capital transfers and deferring appropriate capital projects. Budget management will also include slowly reducing various budget allocations connected with funding hurricane expenses and returning that budget to the appropriate donor operating and capital accounts.

There will be a significant budgetary impact both in FY 2018 and FY 2019 and this impact will largely depend upon when reimbursement revenue is received. The FY 2018 impact is largely an exercise in maintaining sufficient General Fund and Enterprise Fund cash heading into FY 2019 and the postponement or deferral of capital projects pending receipt of reimbursement revenue. If reimbursement revenue is delayed significantly – well into the last quarter of FY 2018 and FY 2019, typical operational and capital transfers out of the General Fund and Unincorporated Area General Fund will be cut/delayed protecting cash balances and existing capital dollars deferred will not be restored until reimbursement revenue is received. Essentially, County financial management is functioning as if a recessionary environment exists until most of the expected reimbursement revenue is received.

County financial management and financial planning must always account for and cover any natural disaster regardless of when the event may occur. Four months from now, Hurricane season will begin and with resources stretched from Hurricane Irma, especially absent any FEMA reimbursement, the County must be positioned to cover any event that may occur during the 2018 season. Maintaining financial resources at current levels is certainly recommended to reduce the level of risk and exposure which could materialize if the County was required to once again prepare for and recover from a 2018 storm.

General Budget Planning

The FY 2019 budget plan allocates funding for recurring operational expenses, new operational expenses connected with capital facilities and continue funding for replacement capital infrastructure and maintenance as well as new capital initiatives. For the past four (4) fiscal years, capital and operational competition for limited resources have placed continued pressure on the General Fund (001) and Unincorporated Area General Fund (111). That said, the budget document must continue to remain flexible - a key component of the budget management process and the County's overall budget and financial model.

The budget as a flexible financial planning document will be subject to many changes in FY 2019 with several financial variables yet to be determined, including;

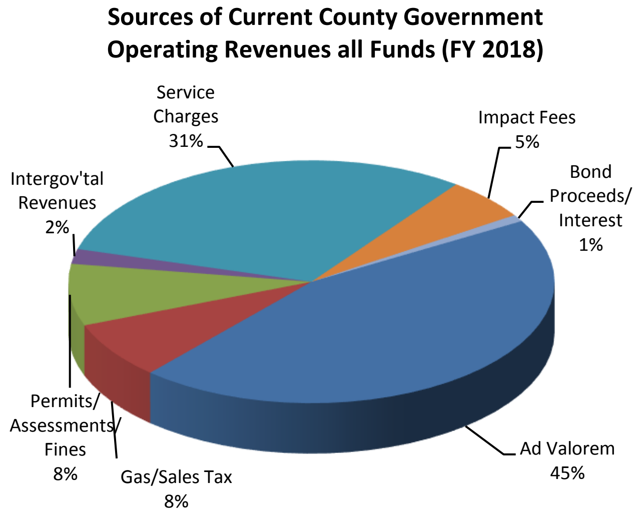
- Timing and extent of new debt to finance planned capital projects like the amateur sports complex, Corkscrew Park, bridge replacements, storm-water improvements, roadway improvements and constitutional officer capital facilities
- Extent of cash and carry from any new revenue sources like a local option infrastructure sales tax, storm-water utility fee and/or franchise fee
- Board policy guidance on issues like workforce housing and mental health
- Impacts of the additional homestead exemption if approved by the voters on the 2018 ballot
- Timing of FEMA and other Hurricane Irma reimbursement revenue.

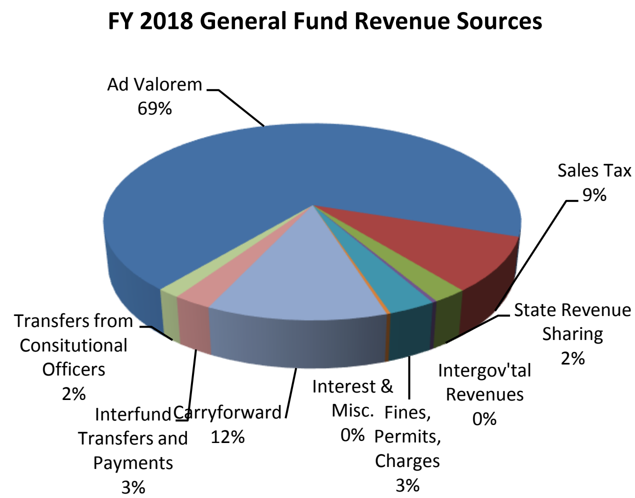
From a revenue policy perspective, caution is urged as the Board considers the potential introduction of new non-recurring and/or statutory restricted limited use revenue sources with a proviso that there will be some form of property tax rate reduction. Trading or exchanging a reduction in property taxes which is a recurring general-purpose revenue source for a non-recurring limited use capital revenue source such as the local option infrastructure sales tax or reducing property taxes in exchange for a limited use and statutorily restricted special revenue source such as a storm-water utility fee is considered by all professional accounts risky revenue policy. The County's general governmental maintenance responsibilities will only increase in the future as new capital facilities are built and existing infrastructure built over the last 10-15 years require servicing.

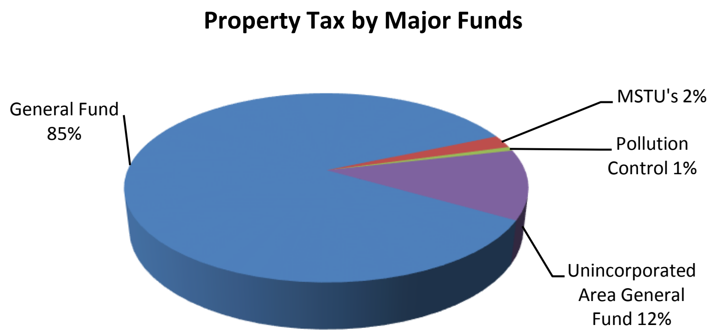
Annual Budget Policies Adopted

Significant Budget Influences:

Each fiscal year based upon fiscally conservative budgetary guidance, limited resources are 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 replacement of priority mission critical infrastructure and equipment. For FY 2019, ad valorem taxes will once again dominate the County's budgetary revenue mix – comprising about 45% of total net annual operating revenue and 69% of General Fund revenue sources. Eighty (80%) of General Fund revenue is comprised of property taxes, sales tax and state shared revenue.







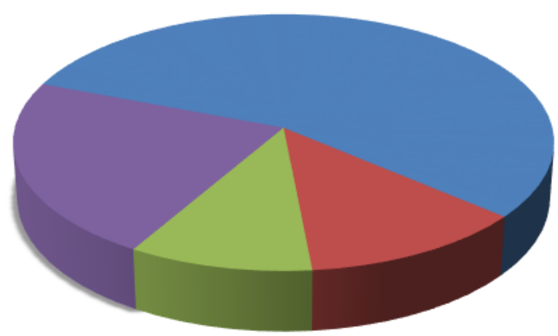
Thus, significant attention is paid to ad valorem taxes and those factors that can influence millage rate and tax levy decisions. The decision to develop the FY 2019 budget around the rolled back rate, millage neutral rate or some other rate is a key decision made by the Board and this decision will determine the level and extent of operational, capital and constitutional funding. Under millage neutral policy guidance, the FY 2019 General Fund levy will increase $17,930,900 over FY 2018. Under a rolled back tax rate policy, the General Fund Levy will increase $9,350,100 which is a $8,580 800 levy loss from millage neutral. The following points are noteworthy in considering general governmental tax policy for FY 2019.

- The County's current General Fund millage rate of $3.5645 has been levied for the past nine (9) years or since FY 2010. During the recession when taxable value dropped some $24 billion, this millage rate levy adopted by the BCC pursuant to policy required General Fund budget reductions totaling $123 million between FY 2009 and FY 2013. Conversely, keeping the millage rate neutral since FY 2014 when taxable value began increasing has allowed the County to raise $81.5 million in additional dollars above the rolled back rate to fund general governmental capital and operating programs cut during the recession or to maintain levels of service deemed important by the BCC as part of annual budget guidance.
- Property taxes comprise 72% of total General Fund revenue.
- If you assume that half of the approximately 200,000 properties that receive TRIM notices would be eligible for the additional $25,000 homestead exemption if approved in an upcoming 2018 ballot initiative, taxable value for the 2019 tax year (FY 2020) could drop by $2,500,000,000. As a result, the potential financial impact to the County's General Fund of

layering on another $25,000 homestead exemption could be as much as $8.5 million. This equates to about 2.8 percent of the FY 2018 levy.

- If the Board had voted to levy the rolled back rate in FY 2018, $14 million in General Fund capital and or operating program cuts would have been necessary. This level of budget adjustment would not simply be accomplished by reducing reserves since reserves are an integral component of preserving General Fund cash at year end; provide a signal of financial strength to the rating agencies; and serve as financial leverage for unforeseen natural disasters and/or shifts in Board policy mid-year. Cuts would have likely come from reduced capital transfers to transportation system improvements, storm-water and parks; elimination of all expanded requests funded by the General Fund required to service new facility improvements and current service County Manager Agency operating reductions.
- Programmed within the General Fund annually is roughly $35 million dollars on average supporting various general governmental capital initiatives in the areas of transportation, parks and recreation, storm-water, airports, museums and of course all constitutional capital needs.
- Constitutional operating transfers out of the General Fund constitute 50% of all General Fund appropriations. While the Board can control these appropriations, based upon history it is not likely that cuts would be made to constitutional officer operations, especially the Sheriff.
- Of the $414 million-dollar FY 2018 General Fund Budget only about 28 percent or $115.8 million is considered somewhat discretionary. The remaining appropriations are classified as Health, Safety and Welfare; Debt Service and or Mandates where there is very limited to no discretion over appropriations.

FY 18 General Fund (001) Budgeted Expenditures by Category



Total = $413,952,700

General Governmental, 28.0%

Roads	33,320,800
Stormwater	1,627,000
BCC & Other G&A	4,263,600
County Atty	2,772,700
County Manager	1,358,100
Budget/Mgmt /Grants	1,334,600
Corp Plan & Perfor.	648,000
CollierTV/Comm.	127,400
Animal Svcs	3,371,600
Library	8,173,400
Musuem	513,500
Parks & Rec.	11,949,900
Seniors/Vets	1,538,300
Social Svcs	2,063,700
Extension Svcs	756,600
Sea Turtle Monitoring	176,500
Facilities Mgmt	26,006,000
Real Estate Svcs	728,000
Information Tech	750,000
Motor Pool	239,900
Employee Svcs	2,151,800
Purchasing	1,937,100
Department Admins	1,354,700
CAT/Transp. Disadvant.	4,446,400
Econ. Dev/Impact Fees	1,560,700
Courts	1,671,200
Airports	1,000,000
TOTAL	$115,841,500

Health, Safety, Welfare, 59.5%

Mental Health	1,949,400
Health Dept.	1,815,600
Emergency Svcs	23,080,200
State Atty	345,800
Public Def.	303,400
Judges	65,900
Sheriff	178,139,600
Reserves	40,450,300
TOTAL	$246,150,200

Debt Service, 2.0%

Loans to Impact Fee Fds	5,631,800
Special Obligation Bd	2,855,200
TOTAL	$8,487,000

Mandates, 10.5%

BCC	1,227,900
DJJ	720,000
Medicaid	3,403,200
Facilities (Utilities)	309,100
Reg. Plan. Council	109,800
CRAs	4,569,700
Elections	3,767,100
Prop. Appraiser	6,331,000
Tax Collector	15,723,400
Clerk of Courts	7,312,800
TOTAL	$43,474,000

- Each year as new general governmental capital improvements are brought on line pursuant to Board policy, the level of operations required to support these facilities grows.

New general governmental capital improvements over the next five years include projects such as land acquisition for the amateur sports complex; constructing amateur sports complex facilities; Big Corkscrew Regional Park; Sheriff's capital projects including a new evidence facility; Vanderbilt Beach Road extension; bridge rehabilitation and replacement; and storm-water capital. Whether financed or funded through new revenue sources, maintaining this enhanced level of infrastructure improvement will require substantial investment in general governmental operating revenue which includes ad valorem taxes.

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

1. Extent of capital, debt and operational transfer dollars expended by the General Fund and Unincorporated Area General Fund. In the numbers estimate above, an $8.6 million General Fund revenue loss between millage neutral and rolled back will impact mostly capital transfers, expanded operations and recurring operations. Levying the rolled back rate in the Unincorporated Area General Fund will result in a loss of $927,300 to the median landscape capital program.
2. Level of service standards set by the Board for agencies and departments which are funded within the General Fund and Unincorporated Area General Fund.
3. Proper level of resources to cover the organization's asset maintenance responsibility including equipment replacement. Competing priorities between operating and capital expenses within a revenue structure heavily reliant upon property taxes.
4. General Fund and/or Unincorporated Area General Fund support for new or re-prioritized operating and capital initiatives like general governmental facilities maintenance; transportation system improvements, storm-water, landscaping, asset management, equipment replacement, economic development; tax increment financing initiatives; EMS capital; Constitutional capital; workforce housing; amateur sports complex management and maintenance; natural disaster hardening including wildfire mitigation; social service programming; and/or other unforeseen operational or capital policy directives.
5. 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 alter existing shared revenue sources like the Communication Services Tax (CST); potential mandates to require law enforcement officers to wear body cameras; further reductions in state health care and social service funding as well as impacts from the recently passed federal tax law revisions.
6. Level of General Fund Ad Valorem operating support extended to constitutional officers and specifically the Sheriff.
7. Pressure on the Unincorporated Area General Fund given the anticipated capital and operating service demands, heavy reliance upon property tax revenue and the uncertainty surrounding the level and extent Communication Services Tax proceeds.

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

1. Maintaining sufficient beginning year General Fund and Unincorporated Area General Fund cash balance.
2. Continued growth in general governmental reserves.
3. Payment on the County's debt service
4. Maintaining the County's excellent investment quality credit rating.

Discussion of Taxable Values, Millage Targets for the General Fund (County-Wide) and Unincorporated Area General Fund and Related FY 2019 Budget and Financial Strategies

With six (6) consecutive increases in county-wide taxable value since FY 2013, maintaining a millage neutral policy position remains the recommended objective. County-wide taxable value has exceeded the previous high mark of FY 2008. Unincorporated Area General Fund taxable value remains below the high mark achieved in FY 2008, although at the FY 2019 budget planning numbers, FY 2008 taxable values for the unincorporated area will also be surpassed.

The following table provides a history of County-wide and Unincorporated Area taxable values over the past eleven (11) years (tax year 2007-2017) as well as the budget planning projection for tax year 2018 (FY 2019).

Tax Year	County Wide Taxable Value	County Wide % inc. (dec)	Unincorporated Area Taxable Value	Unincorporated Area % inc. (dec.)
2007 (FY 2008)	$82,542,090,227	--------------	$53,397,231,747	-------------
2008 (FY 2009)	$78,662,966,910	(4.7%)	$50,860,023,424	(4.8%)
2009 (FY 2010)	$69,976,749,096	(11.0%)	$44,314,951,279	(12.8%)
2010 (FY 2011)	$61,436,197,437	(12.2%)	$38,146,886,403	(13.9%)
2011 (FY 2012)	$58,202,570,727	(5.2%)	$36,013,774,963	(5.6%)
2012 (FY 2013)	$58,492,762,303	.50%	$36,026,786,779	.04%
2013(FY 2014)	$60,637,773,315	3.7%	$37,207,018,234	3.3%
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) Pre-VAB	$83,612,179,281	8.4%	$51,764,392,137	9.0%
2018 (FY 2019) Planning	$88,628,910,038	6.0%	$54,870,255,665	6.0%

The January 2018 State Ad Valorem Estimating Conference Report was released recently for the 2018 tax year (FY 2019). The report projects that Collier County certified taxable values on July 1, 2018 will increase 7.6%. We have been adept over the years at sizing the budget around a conservative yet functional taxable value planning number considering that most budget planning is over before the certified taxable value number is received from the Property Appraiser.

Property tax revenue comprises 69% of the General Fund (001) and 30% of the total net county budget, including fund balances. From new money sources, which excludes fund balance, property taxes comprise 45% of available total net operating revenue sources. According to the Tax Policy Center of the Urban Institute and Brookings Institution, local governments across the United States collected about $1.5 trillion of general revenue and 29.7% of these collections were from Property Taxes.

The taxable value estimate must allow for operational and capital programming needs as well as reserve growth. Budget planning around a 6.0% taxable value increase is realistic. Any positive difference in taxable value above the planning ceiling and the resulting increase in ad valorem revenue can be used to strengthen the Board's General Fund and Unincorporated Area General Fund reserves and/or be applied to much needed programs and services as directed by the Board.

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 thirteen (13) years are shown in table form below.

Millage Area	**FY 06**	**FY 07**	**FY 08**	**FY 09**	**FY 10-FY 16**	**FY 17-FY 18**
General Fund	$3.8772	$3.5790	$3.1469	$3.1469	$3.5645	$3.5645
Unincorporated Area General Fund	$.8069	$.8069	$.6912	$.6912	$.7161	$.8069

The following table depicts taxable values (based upon the October DR 422 values) and levies at increases of four (4), five (5), six (6), seven (7) and eight (8) percent assuming a millage neutral General Fund operating tax rate; and maintaining the Unincorporated Area General Fund tax rate at $.8069 with the incremental rate above current millage neutral or $.0908 earmarked to continue funding the unincorporated area median landscape capital program.

The respective General Fund and Unincorporated Area General Fund gross dollar values at a millage neutral operating tax rate and that tax rate connected with the landscape capital program at the various taxable value (TV) scenarios is also shown below.

	Current Taxable Value Pre VAB	FY 2019 @ 4% TV increase	FY 2019 @ 5% TV increase	FY 2019 @ 6% Policy Planning Numbers	FY 2019 @ 7% TV increase	FY 2019 @ 8% TV increase
General Fund	83,612,179,281	86,956,666,452	87,792,788,245	88,628,910,038	89,465,031,831	90,301,153,623
Unincorporated Area GF	51,764,392,137	53,834,967,822	54,352,611,744	54,870,255,665	55,387,899,587	55,905,543,508

	Current Levy	Ad Valorem revenue @ 4% TV increase	Ad Valorem revenue @ 5% TV increase	Ad Valorem revenue @ 6% TV increase	Ad Valorem revenue @ 7% TV increase	Ad Valorem revenue @ 8% TV increase
General Fund	298,035,613	309,957,038	312,937,394	315,917,750	318,898,106	321,878,462
Unincorporated Area GF (Operating)	37,068,481	38,551,220	38,921,905	39,292,590	39,663,275	40,033,960
Unincorporated Area GF (Landscape Cap)	4,700,207	4,888,215	4,935,217	4,982,219	5,029,221	5,076,223
Total Unincorporated Area GF at $.8069	**41,768,688**	**43,439,435**	**43,857,122**	**44,274,809**	**44,692,496**	**45,110,183**

		4% Variance from Current Levy	5% Variance from Current Levy	6% Variance from Current Levy	7% Variance from Current Levy	8% Variance from Current Levy
General Fund (millage neutral)		11,921,425	14,901,781	17,882,137	20,862,493	23,842,849
Unincorporated Area GF (Operating)		1,482,739	1,853,424	2,224,109	2,594,794	2,965,478
Unincorporated Area Landscape Capital at $.0908 millage neutral		188,008	235,010	282,012	329,014	376,017
Total Unincorporated Area GF Levy Increase		**1,670,747**	**2,088,434**	**2,506,121**	**2,923,808**	**3,341,495**

If taxable values fall below the six (6.0) percent planning scenario, budget planning will be reduced accordingly. Conversely if taxable values exceed the planning benchmark, additional ad valorem dollars can be used to increase reserves and/or applied to programs and services as directed by the Board. It is likely that budgeted ad valorem revenue will be millage rate driven rather than a strategy of setting the millage rate based upon a targeted ad valorem revenue number.

Summary of Significant FY 2019 Proposed Budget Strategies to Achieve a Structurally Balanced Budget

The following table highlights certain FY 2019 budget strategies which will be detailed within this document and which the Board will consider as part of Adopted Budget Policies. Policy document pages are included for reference in the right-hand column.

1	The County Manager is proposing to submit one FY 2019 millage neutral General Fund (001) operating budget along with service level and related budgetary and millage implications. Designate approximately fifty-eight (58) percent of the planned ad valorem revenue increase *after constitutional transfers and satisfying reserve requirements* to capital initiatives with the remaining forty-two (42) percent after constitutional transfers and satisfying reserve requirements to cover operations and recurring costs due to any expanded services. Any expanded services will be limited to mission critical functions such as but not limited to capital execution, asset maintenance and replacement execution, asset management and front-line service delivery.	Pg.’s 1 thru 16
2	Proposed guidance for the Unincorporated Area General Fund (111) includes maintaining the millage rate at $.8069 and earmarking $.0908 or the marginal increase above the current operating millage rate to continue funding the median landscape capital program. The operating millage rate of $.7161 will be used to fund reserves at policy levels and fund existing and expanded operations as well as capital transfers.	Pg.’s 1 thru 16
3	Over the past three (3) fiscal years a total of 187.5 expanded FTE’s was added to the County Manager’s Agency (FY 2016 = 68.25; FY 2017 = 78.25; FY 2018 = 41). Of this total, general governmental operations benefitted from the addition of 117.5 expanded FTE’s. County Manager agency salaries grew by $6.8 million to $171.4 million or 50% of total Collier Co. government salaries. As a side note Constitutional budgeted salaries grew by $11.4 million. Departments will plan on a significantly diminished number of expanded positions in FY 2018 and requests will be limited to mission critical functions like capital execution, asset maintenance and replacement execution and front-line service delivery.	Pg. 19

4	Pursue a strategy in FY 2019 which continues to plan for infrastructure replacement/maintenance on a pay as you go basis while monitoring policy discussions and directives concerning the local option infrastructure sales tax and storm-water utility. 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.	Pg.'s 13 thru 16 and 23 thru 28
5	Continue budget parameters for enterprise operations which are 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 initiatives; and statutory or ordinance spending limitations. A critical review of reserve levels versus capital appropriations will be discussed during budget deliberations especially considering the recent hurricane.	Pgs. 18 to 19
6	Continue County-wide capital transfers at an amount equal to or less than a 1/3rd mil equivalent to continue General Fund contribution to cover growth related debt service and to help pay for critically needed general governmental facility repairs.	Pg.'s 12 thru 13 and 27
7	Given Board discussions on February 13, 2018, it is anticipated that storm-water operating and capital projects within the Unincorporated Area will be funded from proceeds collected through a new storm-water utility. Further, projects with a general county-wide water shed benefit will still receive modest funding through a transfer from the General Fund. The FY 2019 transfer is programmed at $1.0 million. Dollars originally planned for transfer from the Unincorporated Area General Fund in the amount of $4.5 million under a millage neutral budget would be generally redirected to various capital and maintenance program areas such as park system improvements; transportation network maintenance; soft capital infrastructure like IT, accounting system upgrades; general governmental building maintenance; and expanded services connected with new capital facilities.	Pg. 26
8	Continue to program the capital transfer designated to fund park capital projects from the General Fund and Unincorporated Area General Fund. It is anticipated that the FY 2019 transfer will be no less than the FY 2018 regular contribution of $2,350,000.	Pg.'s 13 thru 14 and 23 thru 25
9	Establish General Fund contingency reserve at 2.5% of total budgeted appropriation (less capital/debt transfers). Grow the General Fund cash balance reserve by $5,000,000, bringing total reserves to $45.5 million. It is projected that FY 2018 General Fund reserves will be reduced by $12-15 million in support of hurricane clean up and restoration. The priority upon receipt of reimbursement revenue will be reserve replenishment. Regardless, the $45.5 million reserve target number will be achieved. This 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 and 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.	Pg.'s 28 thru 30
10	Use gas tax revenue to support road capital, maintenance and debt (with an emphasis on debt) consistent with budget planning and statutory requirements	Pg.'s 26 and 27
11	Continue to discuss and pursue future new revenue sources intended to diversify the composition of the County's general governmental revenue mix	Pg.'s 3 thru 15; 39 thru 48

Limited general governmental operational expense increases are expected and will be appropriated to account for new programs and services instituted during FY 2018, inflationary adjusted fixed costs and maintaining a competitive compensation package. The December 2016 over December 2017 CPI is 1.8 percent.

A component increase of 2.5% devoted to operations at the department level is planned. This means that department operations for FY 2019, which rely on the General Fund and Unincorporated Area General Fund for dollars, will be restricted to a two and one-half percent (2.5%) increase for current programs and services as well as expanded services. This includes operating transfers. For FY 2019, the percentage operating adjustment will be translated into a dollar value for each department head to allocate as priorities dictate.

A significant portion of remaining budget planning dollars will be applied to Agency wide capital equipment, asset replacement and new projects. 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, storm-water and heavy equipment.

For FY 2019 planning purposes and discussion in this policy document, the total General Fund Budget is represented to increase by $18,410,700. The following table depicts by category the revenue and expense increases and decreases connected with the FY 2019 General Fund Planning Budget and the variances from FY 2018. Also shown for comparison are the budget variances by category between FY 2017 and 2018.

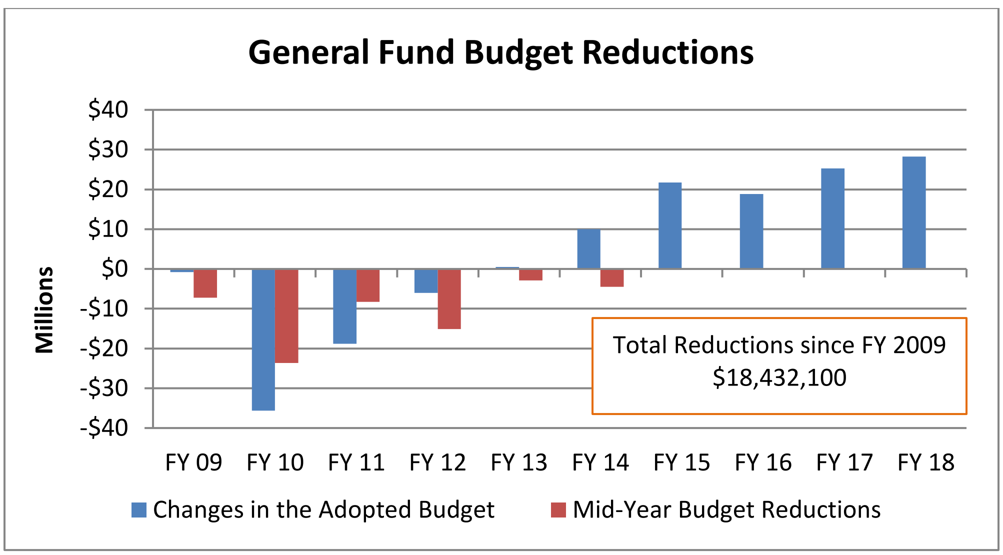
Major Revenue Variances:	**Variance between FY 2018 and Planning FY 2019**	**Variance between FY 2017 and FY 2018**
Ad Valorem Taxes	$17,930,900	$23,028,000
Sales Tax	2,000,000	200,000
Revenue Sharing	1,000,000	200,000
Department Revenues	79,000	13,100
Enterprise and Federal PILT and Cost Allocation	1,181,300	413,900
Transfer Revenue	(210,000)	113,100
Carryforward	(2,502,500)	5,431,100
Less 5% Required Revenue Reserve	(1,068,000)	(1,167,400)
Total Revenue Increases	**$18,410,700**	**$28,231,800**
Major Expenditure Variances		
County Manager, Court's and Other General		
Operations	$1,849,700	$1,648,200
Operating Transfer's	860,300	1,585,600
Capital Transfer's	(1,773,200)	5,630,800
Sheriff Transfer	11,356,800	11,430,300
Other Constitutional Transfer's	1,074,800	1,386,300
Reserves	5,042,300	6,550,600
Total Expenditure Increases	**$18,410,700**	**$28,231,800**

Several observations can be made from this table. As we have noted continuously throughout this document, ad valorem revenue dominates general governmental funding. Of significance also is the importance of a healthy 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 drop-in carryforward expected at year ending 9/30/18 is directly related to funding Hurricane Irma expenses, lack of timely reimbursement revenue and the use of reserves to fund these expenses. A reduced fund balance also has an adverse impact on capital transfers for FY 2019. It does not help when the General Fund is required to loan the impact fee trust funds more than $9 million in FY 2019 when these diverted dollars could be directly programmed for capital projects. But, payment of debt is a top priority. Increase in the Sheriff's transfer is planned for FY 2019 under a 6% taxable value planning scenario in an amount similar to the FY 2018 amount when taxable value increased 8.4%.

After much discussion about Conservation Collier and the stakeholders desire for a stand-alone referendum authorizing a program restart, the Board remains in a position pending any referendum on the program to pursue the purchase of select environmentally sensitive lands from cash on hand within the maintenance fund in the amount of $32.5 million. Any dollars drawn from the Conservation Collier maintenance fund to purchase environmentally sensitive land would of course be re-paid either from additional tax proceeds from a separate referendum authorized tax levy or a one-time increase in the General Fund millage rate. Maximizing return on investment of program balances is the goal of all stakeholder's and County agency representatives. The County's Investment Policy lists the authorized investment instruments as well as all parameters under which said investments can be made. Investment of funds shall generally have final maturities of not more than five (5) years. The combined program minimum fund balance is currently established by the Board at $32 million.

The table below identifies the level and extent of adopted and mid-year budget reductions since FY 2009. Between FY 2009 and FY 2013, a total of $118 million of General Fund budget reductions were necessary to achieve a structurally balanced millage neutral tax rate budget during taxable value declines and maintain adequate General Fund cash balances consistent with an investment quality credit rated organization.

For the fourth (4th) time since FY 2009, no regular mid-year operating cuts are contemplated in FY 2018. However, budget management is always ongoing and more magnified in FY 2018 considering Hurricane Irma. Close 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 continue the recovery process from significant budget reductions in the years identified above which occurred due to the economic recession, this recovery and the level of dollars devoted to asset maintenance and replacement 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 sufficient General Fund cash is always a major focus and by policy the cash and cash equivalent position is set at a minimum of 10% of actual expenditures. Given our current General Fund reserve levels, it has been prudent to maintain a cash position in this fund of between 15% and 20% or between $55 million and $60 million.

Asset Management and Future General Governmental Capital Improvements

Asset Management

Each year a significant portion of available annual resources are devoted to the maintenance and management of the County's infrastructure base. The current pay as you go strategy recognizes that satisfying all new capital requirements over the next five (5) years will require some level of financing absent either enactment of a local option infrastructure sales tax and/or other new revenue option. Further, maintaining and managing existing infrastructure assets requires additional resources in certain strategic areas to achieve a level of proactive management beyond break fix. Despite the challenge, available resources will continue to be allocated in the most prudent and economical manner to fund operations at required service levels and construct strategic capital improvements.

The following table provides a description of historical budget allocations and what is currently planned in FY 2019 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	Loans to Impact Fee Funds - Debt	Loans to Impact Fee Funds - Projects	County Wide Capital	Transfer for other Capital	Transfer to Parks	Transfer to Road Network	Transfer to Storm-Water	Total
FY 2014	$3,657,700	$4,342,300	$0	$6,841,400	$3,800,000	$0	$8,768,800	$4,730,100	**$32,140,300**
FY 2015	$3,079,600	$3,307,100	$7,813,200*	$7,788,600	$3,441,200	$500,000	$9,499,900	$4,627,600	**$40,057,200**
FY 2016	$3,077,500	$5,376,500	$900,000*	$10,677,500	$4,333,100	$750,000	$14,559,800	$1,549,600	**$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	**$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	**$38,858,900**
FY 2019	$2,849,500	$7,149,200	$2,100,000	$11,192,000	$2,145,000	$1,100,000	$9,300,000	$1,000,000	**$36,835,700**

*FY 2015: EMS Station, SOE Complex, & Sheriff Substation. FY 2016: Additional funding for Sheriff Substation. FY18: EMS Station. FY 19 EMS Station.

For FY 2019, funding as planned above will of course be subject to the level and timing of expected reimbursements for Hurricane Irma expenses and replenishment of General Fund budgeted reserves. FY 2018 General Fund reserves have been reduced to date by $15 million to set up hurricane appropriations and while it is expected that some level of reserve use will be required to fund the County's local share of hurricane recovery and restoration costs, at least $5 million will be returned to reserves in FY 2018 either through reduced capital appropriations, reimbursement revenue or a combination of the two. Preserving General Fund cash, maintaining adequate reserves, protecting the County's investment quality credit rating and paying debt service will always take priority as expenditure planning evolves. Generally, these priorities are strategically managed and sufficient allocations are made in harmony with other capital and operating spending appropriations.

Robust capital contributions have recently been appropriated within the Unincorporated Area General Fund to augment the County's commitment to capital programming. The following table depicts these capital contributions.

Category Unincorp. Area General Fund	Transfer to Parks	Transfer to Roads	Transfer to Storm-Water	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	$1,350,000	$4,250,000	$4,500,000	**$10,100,000**

With introduction of the storm-water utility fee, the planned $4.5 million transfer for storm-water programming would be re-prioritized to increase reserves; support much needed transportation network improvements; increase contributions to park capital projects and make a final one-time contribution to replace road and bridge heavy equipment deferred during the recession.

Non-growth-related debt serviced by legally available non-ad valorem revenue from the General Fund continues to decline reflecting the various debt restructurings approved by the Board. Through the County's debt restructuring and normal debt retirement, non-growth related annual revenue bond debt service paid from the General Fund has decreased from $8,154,400 in FY 2010 to $2,849,500 in FY 2019, a 65% decrease.

Cumulatively since FY 2010 across all debt types (General Governmental and Business), non-growth related annual debt service has dropped 41.4%. The FY 2019 impact fee loan figure from the General Fund is planned to increase year over year due primarily to lagging general governmental facility impact fee receipts and the construction of a new EMS facility.

County-wide capital allocations have traditionally included new money components for general governmental capital projects as well as maintaining and replacing existing general governmental infrastructure. The following chart provides a summary description of dollars programmed for transfer in FY 2016, FY 2017, FY 2018 and that planned for FY 2019 by category.

General Fund Supported Capital Category	FY 16 Budget	FY 17 Budget	FY 18 Budget	FY 19 Budget
Sheriff Orange Tree Sub-Station	$900,000	$0	$0	
EMS Station and Ambulance	$0	$0	$2,000,000	$2,100,000
Helicopter	$2,000,000	$2,000,000	$1,250,000	$0
Jail & other Sheriff Facility Repairs	$664,200	$1,059,500	$4,100,000	$1,000,000
Sheriff's replace accounting system	$1,000,000	$0	$0	$0
Voting Machines	$0	$0	$345,000	$400,000
800 MHz Public Safety Communication System	$6,200,000	$3,525,000	$850,000	$0
Domestic Animal Control Shelter	$0	$0	$500,000	$0
State & Regional Eco Development	$475,000	$500,000	$0	$0
Library Capital/Books	$350,000	$450,000	$550,000	$650,000
General Building maintenance and A/C Repairs	$1,500,000	$4,090,500	$5,250,000	$6,000,000
Other General Governmental	$488,300	$1,072,500	$411,000	$3,142,000*
Museum Capital	$200,000	$200,000	$313,500	$200,000
Airport Capital	$313,100	$300,000	$1,000,000	$445,000
General Governmental Vehicle Replacement Supplement	$1,500,000	$1,500,000	$1,750,000	$1,500,000
Park Capital	$1,070,000	$2,495,700	$1,100,000	$1,100,000
Transportation Capital	$14,559,800	$9,935,500	$11,650,400	$9,300,000
Storm-water Capital	$1,549,600	$2,525,000	$1,627,000	$1,000,000
Total	**$32,770,000**	**$29,653,700**	**$32,696,900**	**$26,837,000**

*$3,142,000 = $1m SAP; $1m replace roof & AC on Bldg F&H; $800k replenish reserves; balance is minor maintenance $342k

After setting aside the first $2,000,000 in FY 2015, a total of $7,250,000 is available at the beginning FY 2018 (October 2017) to purchase a new helicopter. An additional set aside may be required prior to actual procurement and this number will be determined based upon the existing helicopter's trade value and final equipment options.

A major initiative funded on a cash and carry basis over the past five (5) years is the phased upgrade of the county-wide public safety communication system. To date, $15,985,000 has been encumbered/spent for this important public safety project which is expected to be completed in FY 2018.

Transfer dollars and direct maintenance funding for transportation and storm-water related system improvements and operations from the General Fund and Unincorporated Area General Fund will decrease in FY 2019 under the current planning scenario from that budgeted in FY 2018 by $2,479,600 to $44,338,100. Of course, the allocation may change as the FY 2019 budget evolves leading into the June workshop. This allocation includes dollars to operate the transportation network, dollars for road resurfacing, intersection improvements, bridges, storm-water and airport capital.

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 deemed a high priority. This has and will continue to be the management strategy given the competition for general government resources, uncertainty with the communication services tax and heavy reliance upon property taxes.

Gas tax dollars within Gas Tax Fund (313) totaling $1,000,000 annually have been freed up and are available for system maintenance and improvements above that transferred from the General Fund and Unincorporated Area General Fund beginning in FY 2015 due to restructuring of the gas tax debt at substantially lower interest costs. These gas tax dollars not devoted to paying debt service will be available annually until the debt expires in 2025.

Future General Governmental Capital Improvements

At the height of the recession in FY 2012, taxable value dropped 30 percent or $24.3 billion from its then high of $82.5 billion in FY 2008. When considering the County’s tax base erosion, the recession began in FY 2009 (October 2008) which was the first year the tax base began to erode significantly and continued until FY 2013. The National Bureau of Economic Research indicates that the recession based upon their labor and other indicators began in December 2007 (County’s FY 2008 FY). The effects of the recession in the County lagged just behind the nation. The County began to pull out of the recession in FY 2014.

Future general governmental capital improvements like the Vanderbilt Beach Road extension, Big Corkscrew Regional Park, bridge replacement initiative and storm-water improvements were postponed and or simply underfunded due to the recession and now require significant attention with the cost for these improvements in the $300 million range. Funding for these improvements remain flexible pending Board policy direction with consideration being given to continuation of the pay as you go approach augmented by the issuance of general governmental revenue bond debt, the local option infrastructure sales tax, creating a storm-water utility and accompanying fee, franchise fee or some combination of the above.

Any decision regarding funding for the capital improvements mentioned above must consider a recurring capital maintenance funding component which for example is not available through the local option infrastructure sale tax.

Trading or exchanging a reduction in the property tax levy which is a recurring revenue source for a non-recurring revenue source such as the local option infrastructure sales tax or reducing the property tax levy in exchange for a very narrow and statutorily restricted special revenue source such as a storm-water utility fee is considered by all professional accounts is risky revenue policy.

The issuance of revenue bond debt remains a viable and attractive option to finance the improvements above and the County is positioned to issue some form of debt depending on Board policy decisions.

Regardless, The County will program and complete the capital improvements and the County's elected leadership has options at its disposal to accomplish the objective.

State Legislative Update

On the State legislative front, the House and Senate are currently $100 million apart on an $87 billion spending plan. Though close in total appropriations, they differ significantly in approaches to spending on issues dealing with public and higher education, Medicaid spending, the Florida Forever preservation program, and the continued use of housing trust fund moneys for other purposes. Both budgets are $2 billion above FY 2017-18 spending, including current Hurricane Irma recovery costs. Both budget documents were drafted before a February tax collection estimate and may be affected by any changes in collection forecasts for the remainder of the fiscal year.

Approximately $330 million is being allocated for local projects; however, the Senate budget contains nearly twice as many local requests than the House document. It is expected that the Senate will have to pare down its list, likely giving preference to Irma-related resiliency projects.

The Senate has moved $50 million in beach re-nourishment funding from the Land Acquisition Trust Fund to General Appropriations. Legislation is also moving that would set new scoring criteria in determining annual funding priorities for beach management and erosion control projects.

Staff will also monitor any proposed legislation that has an adverse impact on local government revenue streams. Bills may be introduced that; alter the Communication Services Tax structure, introduce certain sales tax exemptions (i.e. commercial leases), modify current aviation fuel taxes, and further limit local control over the levy of ad valorem taxes.

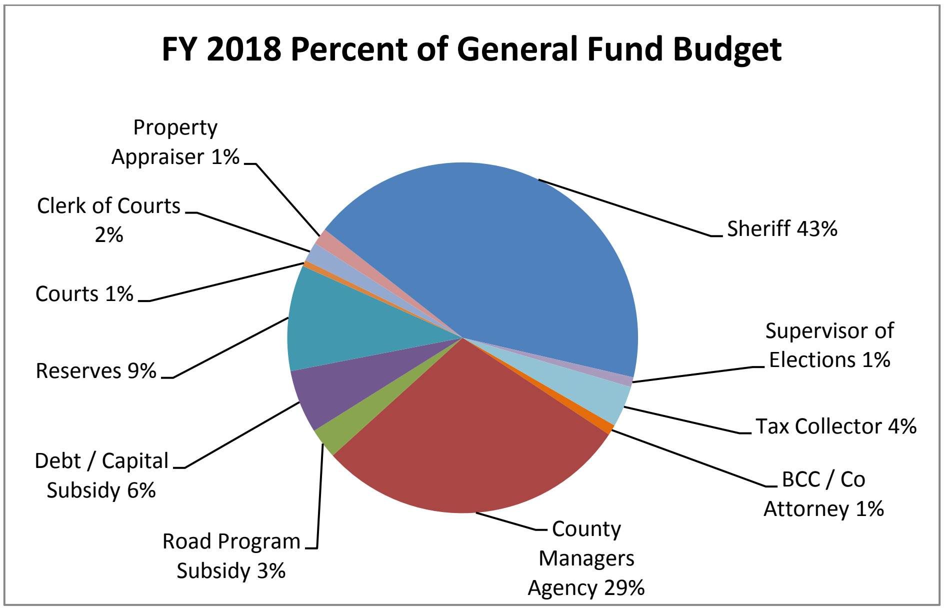
Collier County will continue to work with the Florida Association of Counties on a myriad of transparency, taxation, and preemption issues at the Legislature and at the Constitution Review Commission which is currently deliberating ballot proposals for the November General Election. The Commission only meets every 20 years and can place a proposed change to the Florida Constitution on the ballot with 22 of 37 commissioner votes.

Adopted Budget Policy: Develop a General Fund (001) operating budget at millage neutral and provide the Board with a summary divisional description of what *millage neutral* purchases in terms of services and the progress made in devoting dollars to asset maintenance, equipment replacement and capital initiatives planned within the AUIR.

Approve guidance for the Unincorporated Area General Fund (111) which includes maintaining the millage rate at $.8069 and earmarking $.0908 or the marginal increase above the current operating millage rate to continue the median landscape capital program. The existing millage rate of $.7161 will be used to fund existing and expanded operations as well as capital transfers.

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 taxable values below the planning threshold, reductions in property tax revenues, new state tax reform initiatives, reductions in state shared revenue and *unfunded mandates*.



Considering that transfers to the Constitutional Agencies in FY 2018 account for 51% of total General Fund budgeted expenses and 71% 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 turn back. This turn back revenue is budgeted and forecast each year. Constitutional turn back revenue totaled $7,838,435 and $10,084,838 respectively across all funds for years ending FY 2016 and FY 2017. The General Fund receives on average 90% to 95% of all turn back revenue. Turn back revenue from the Tax Collector accounted for 88% of all fund turn back revenue in FY 2016 and 62% of all fund turn back revenue in FY 2017.

Adopted Budget Policy: Continue this policy.

Millage Targets for Collier County MSTU's, MSTD's

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 nineteen (19) dependent MSTU's or MSTD's active under Collier County's taxing umbrellas. Of these, eleven (11) have advisory boards which provide recommendations to the Board of County Commissioners.

The subject of enacting an All Hazard's MSTU tax has been discussed previously by the Board. Lee County collects from unincorporated residents such a tax for a multitude of hazard response purposes like wildfire management and mitigation, incident command training, equipment, facility upgrades, etc. The tax was established by ordinance after notice and public hearing requirements and is provided within Florida Statutes, 200.065. The current levy in Lee County is $0.0693 per $1,000 of taxable value. This separate levy, if enacted in Collier County at the rate above and applied within the unincorporated area, would raise $3.5 million.

Adopted Budget Policy: For FY 2019, it is suggested that those existing MSTU's/MSTD's without advisory board oversight be limited to a ***rolled back*** millage rate position unless staff presents a compelling reason for additional funds during budget presentations. Additionally, it is suggested that existing MSTU's and MSTD's with advisory board oversight be allowed to consider tax rate options ranging from ***tax neutral (rolled back rate) to millage neutral*** depending upon program requirements and taxable values with specific advisory board recommendations offered during the budget review cycle.

Revenue Centric Budgets

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 2019, the following budget priorities must be satisfied for enterprise and special revenue operations; working capital guidelines established through policy or best practices; capital obligations from the capital improvement element (CIE); any fee or rate study expense stipulations; priority agency wide initiatives; any statutory or ordinance spending restrictions.

This concept also presumes continual monitoring of cash and receipts and, if necessary, subsequent operational adjustments dictated by cash flow. As such, ad valorem agency limitations suggested above will not apply.

Certain cost centers or functions have a net cost to the General Fund (001) or Unincorporated Area General Fund (111). In these instances where fee for services offset the ad valorem impact, then the budget reduction guidance should account for this positive impact upon the net cost to the General Fund (001) or to the Unincorporated Area General Fund (111). 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.

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

Expanded Positions

The County Manager's Agency added 41 FTE's to the operation as part of the FY 2018 approved budget. These positions were distributed relatively equally throughout the agency reflecting the continued need to invest in human capital among various strategic position categories to address service demands and agency initiatives.

We are faced with the continuing challenge of conducting the business of government within the context of evaluating strategic organizational efficiencies and re-alignments required to match service demands with available resources. Consequently, as part of any decision to make major organizational, service or other changes, proper analysis is undertaken. This analysis includes review of the customer needs, the organizational structure, the underlying processes and service delivery models and the proper full time equivalent employee mix. Outcomes include streamlined business processes, elimination of any wasted effort in the processes, and a management and staffing structure that is expected to be able to deliver the required services.

For FY 2019, Departments will carefully consider expanded positions since proposed operating expenditure guidance will likely require a significant re-prioritization of current budget. Any expanded requests will be limited to mission critical functions such as but not limited to capital project execution, asset maintenance and replacement execution, asset management implementation and front-line service delivery. All expanded positions and programs will be reviewed by the County Manager and his recommendations will be presented as part of FY 2019 budget workshop discussions in June.

Adopted Budget Policy: Expanded position requests will be limited to mission critical functions, fully vetted with the Board and enumerated within the Budget document including details of expanded operational costs and any offsetting program revenue.

Compensation Administration

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

1. Facilitates the hiring and retention of the most knowledgeable, skilled and experienced employees available.
2. Supports continuous training, professional development and enhanced career mobility.
3. Establish equitability in position pay ranges and to rates paid incumbents in those positions
4. Recognizes and rewards individual and team achievements.

The Consumer Price Index 12-month percent change from December 2016 to December 2017 is 1.8% for the Miami-Fort Lauderdale area.

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.

Like last year, rather than waiting to appropriate dollars for a compensation adjustment on an event driven basis, the County Manager proposes to appropriate dollars for the adjustment as part of budget planning for FY 2019 with the recommended structure submitted for Board consideration at the June Workshop meeting.

For FY 2019, the County Manager is recommending a 2.0% general wage adjustment to remain competitive in a highly aggressive labor market and recognize existing employees for their continued commitment, service and loyalty to the agency. This proposed adjustment also represents an effort to maintain employee payroll buying power which may be eroded through Florida Retirement System payroll deduction or health insurance co- payment increases. This compensation adjustment is estimated to total $2.6 million.

A General Wage Adjustment totaling 2.9% was allocated in FY 2018 at a total cost of $3,571,600. Adjustments to the compensation plan was completed in FY 2018 at a cost of $727,700 and no further pay plan maintenance is proposed for FY 2019.

Adopted Budget Policy: Appropriate dollars equivalent to a 2.0% general wage adjustment as part of FY 2019 budget planning and that the structure of such adjustment be submitted by the County Manager for Board consideration at the June workshop meeting. In previous years, the Board of County Commissioners has authorized adjustments to the compensation plan as shown within the following table.

Program Component	FY 09	FY 10 – FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19
General Wage Adjustment	4.20%	0.00%	2.00%	$1,000	2.00% / $1,000	1.50% / $1,000	3.00%	2.90%	2.00%
Awards Program	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Pay Plan Maintenance	0.00%	0.00%	0.00%	0.00%	0.00%	1.50%	0.00%	0.60%	0.00%
Total	**4.20%**	**0.00%**	**2.00%**	**$1,000**	**2.00%**	**3.00%**	**3.00%**	**3.50%**	**2.00%**

Health Care Program and Cost Sharing

The County 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 potential for a statistical claim cost variance of 10% around the expected mean claims cost. 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.

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 when possible by helping our employees and their spouses become aware of their health, and act on that knowledge

Coverage under the Plan extends to all eligible County employees, except for the Sheriff's Office, which operates its own self-funded plan. Nationally, as well as here in Florida, medical plan costs, and the premium dollars required to fund them, continue to increase annually. The County's medical plan has the potential to be similarly impacted by these rising costs.

Due to exceptional plan performance over the past six (6) plan years, plan reserves exceed statutory minimums. Therefore, it is recommended that there be a no (0%) rate increase for FY 2019. It should be noted that employer health insurance contribution increases are absorbed within operating appropriations.

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. In addition, the County was recently approved as a Blue Zones Workplace.

For example, of participants with four (4) to five (5) risk factors, 51% improved their LDL cholesterol; 57% improved their Triglycerides and; 24% of participants above the 7% A1C hemoglobin blood sugar range lowered their level to at or below the 7% recommended level.

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 eight (8) years, participation has been consistently more than 94% for those meeting the necessary qualifiers. This rate far exceeds those of large employers nationwide.

With the objective of mitigating 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.

Historically, Board budget guidance has required all agencies to uniformly share health insurance contributions between employers and employees. If all agencies maintained the recommended cost distribution percentages of 80% employer and 20% employee, it is estimated that for FY 2018, $1.88M in General Fund constitutional transfer savings would have been realized as depicted below.

2018 Health Plan Contributions by Agency									
Agency	Average EE Rate/Month	Average ER Rate/Month	Total Rate per Month	EE %	ER %	EE's	Sgl	Fam	2018 Savings if all Agencies were @ 80/20%
BCC	$271.00	$1,084.00	$1,355.00	20.00%	80.00%	1658	761	897	$0 -
SOE	$271.00	$1,084.00	$1,355.00	20.00%	80.00%	22	11	11	$0 -
COC	$271.00	$1,084.00	$1,355.00	20.00%	80.00%	156	69	87	$0 -
PA	$16.00	$1,339.00	$1,355.00	1.18%	98.82%	56	24	32	$691,680.00
TC	$41.89	$1,313.11	$1,355.00	3.09%	96.91%	148	48	100	$421,296.00
CCSO	$175.00	$987.00	$1,162.00	15.06%	84.94%	1119	373	746	$771,662.40
Total						**3159**	**1286**	**1873**	**$1,884,638.40**

Since the Presidential and Congressional elections of 2016, it is likely that some or most of the provisions of the Affordable Care Act (ACA) will be rescinded, amended or replaced with alternative plan provisions. Staff will monitor the activities of federal policy makers and adjust the County's health plan accordingly. But for now, certain provisions of the current federal Affordable Care Act (ACA) impact Collier County if not managed properly. The most penal is the "Pay or Play" provision. This provision imposes a $2,000 penalty per eligible employee working more than 30 hours per week or 130 hours per month if the employer does not offer coverage to 95% of the eligible population. The 95% provision took effect on January 1, 2016 with penalties, if any, being assessed beginning in calendar year 2018 or the County's FY 2018. These compliance provisions will continue until rescinded or amended and present the potential for federal penalties.

Currently, the employee group which must be managed is the "job bank" pool. These employees are generally classified as temporary in nature, are not eligible for health insurance and are not considered FTE's approved by the Board. However, for ACA purposes they are considered part of the eligible health insurance population if they work more than 30 hours per week or 130 hours per month. Based upon the December 2017 census, the 95% test would affect approximately 97 employees or less. If somehow the County failed to satisfy the 95% provision, the fine could total approximately $4.1 million. Current compliance is 99.9%.

This issue will require ongoing management and the Board should be aware that job bank employees working 30 hours a week or more may transition to FTE status as part of the budget process or via separate executive summary and others may have their hours reduced depending upon operational considerations. Regardless, the existing CMA covering this employee classification will be revised to stipulate that those employees working 30 hours a week or more will be eligible for health insurance benefits under the County's program pursuant to the ACA.

Adopted Budget Policy: In FY 2019, no rate increase is recommended and the average cost distribution of health insurance premiums between the Board of County Commissioners and employees will remain 80% (employer) and 20% (employee). It is still recommended that the **<u>80% employer share and 20% employee share be uniform across all agencies, including the</u>**

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).

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

Accrued Salary Savings

Today's economic climate has led to an increased movement of employees to and from the organization. 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. For FY 2016, this rate was established at 2%. For FY 2019, it is suggested that the attrition rate remain at 2%.

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

Financing New and Replacement Capital Infrastructure

The last time Collier County issued debt for capital improvements was through various commercial paper loans between September 2007 (FY 2007) and September 2008 (FY 2008) totaling $78.4 million to finance various general government and public safety projects. All commercial paper loans outstanding were refinanced through long term debt in July 2010 and again in December 2017. The issuance of debt for capital improvements is generally considered as an alternative to pay as you go under the philosophy that future tax payers who will also enjoy the capital improvements should participate in funding capital improvements rather than that burden falling solely to existing tax payers.

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.

Should the issuance of debt become a policy reality as the Board continues to debate the merits of a local option infrastructure sales tax, the environment continues to be favorable for obtaining such credit. First, Collier County has and continues to maintain an excellent investment quality credit rating. Second, the interest rate environment remains attractive for issuance of short and/or long-term debt. Third, the County's total principal debt has been reduced $367 million since FY 2008 and with over $422 million in general governmental debt restructuring since FY 2010, interest (cost of capital) on the portfolio has been reduced from roughly 5% to approximately 3.5%. Fourth, the County's self-imposed debt limit has fallen well below the 13% debt to bondable revenue ceiling and the ratio is currently at an unaudited level of 6.5%.

Recent discussions over pursuing to referendum a local option 1% infrastructure sales tax has led to the development of critical strategic general governmental infrastructure projects within the transportation network, storm-water system and government facilities. Further, certain community priority capital projects have been identified. Construction of these projects is anticipated over a seven (7) year planning window coinciding with collection of the added 1% sales tax.

	Total Estimated Cost	Current Funding	Current Shortfall	7-Year Sales Tax
Transportation	**$289.0M**	**$87.0M**	**$202.0M**	**$191.0M**
Vanderbilt Beach Rd Extension - Collier Blvd to 8th/16th	$100.0M	$26.0M	$74.0M	$74.0M
Pine Ridge Rd, Livingston Rd	$31.0M	$8.0M	$23.0M	$23.0M
Bridge Replacements (11)	$23.0M	$16.0M	$7.0M	$7.0M
Randall Intersection	$14.0M	$7.0M	$7.0M	$7.0M
Airport Rd - widening from Vanderbilt to Immokalee	$17.0M	$13.0M	$4.0M	$4.0M
Triangle Blvd	$6.0M		$6.0M	$6.0M
New Bridges - Golden Gate Estates Mobility (11)	$88.0M	$17.0M	$71.0M	$60.0M
Sidewalks	$10.0M		$10.0M	$10.0M
Facilities & Capital Replacements	**$192.0M**	**$43.0M**	**$149.0M**	**$139.0M**
Forensic/Evidence Building	$33.0M		$33.0M	$33.0M
Big Corkscrew Island Regional Park	$60.0M	$20.0M	$40.0M	$40.0M
DAS shelter Improvement/Replacement	$6.0M		$6.0M	$6.0M
HVAC, Roofing, and Repairs at Sheriff's & County facilities	$62.0M	$23.0M	$39.0M	$39.0M
Hurricane Resilience	$25.0M		$25.0M	$15.0M
EMS Substations	$6.0M		$6.0M	$6.0M
Community Priorities	**$100.0M**		**$100.0M**	**$90.0M**
Career and Technical Training Center	$15.0M		$15.0M	$15.0M
VA Nursing Home	$40.0M		$40.0M	$30.0M
Workforce Housing Land Trust Fund	$20.0M		$20.0M	$20.0M
Mental Health Facility	$25.0M		$25.0M	$25.0M
Grand Total	**$581.0M**	**$130.0M**	**$451.0M**	**$420.0M**

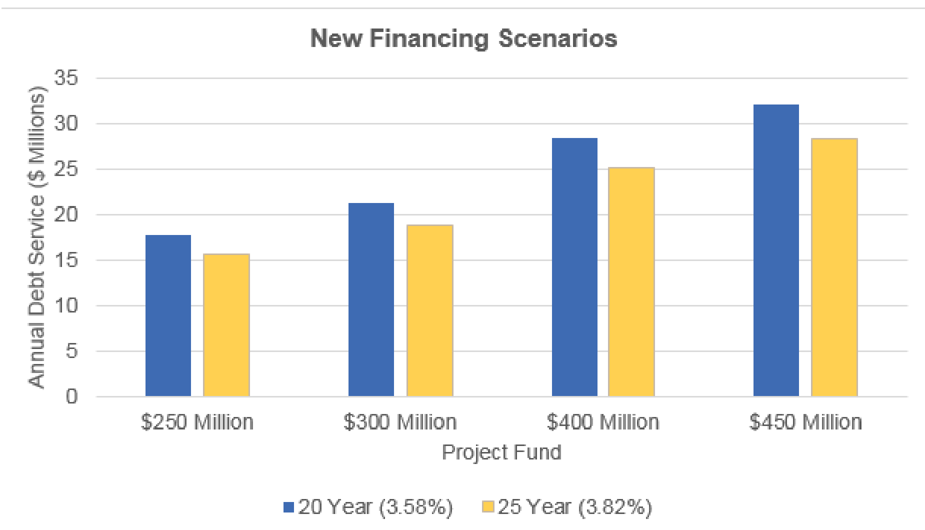
If the Board does not pursue to referendum the local option infrastructure sales tax and it becomes necessary to enter the debt market to finance the general governmental transportation network, storm-water system and/or governmental facility projects, the County is positioned to pursue this alternative.

A decision to issue some component of short or long-term debt is based upon level of service standards, the timing of any capital improvement, ability to execute, the credit market environment, and 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 very low variable interest rate – currently about 2.10% and funds can be accessed within about 30-45 days. Short term commercial paper will be pulled on or about March 1st in the amount of $12 million to purchase property for construction of the amateur sports complex. This short-term paper will be held for a few years and ultimately rolled into a future long term general governmental debt issue.

The advantage of long term debt especially in a low interest rate environment is that budget certainty for the cost of credit will be 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 debt can be issued normally within a 60-90 day window. The County's current general governmental long-term debt portfolio is comprised primarily of special obligation revenue bond debt under a covenant to budget legally available non- ad valorem revenue. It is anticipated that this type of long term debt would be used under future new credit scenarios.

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



Issuance of debt in the areas financed would replace the pay-as-you-go approach and funding would be re-directed from the program areas to fund debt service.

Adopted Budget Policy: It is not suggested that any financing strategy be built into the FY 2019 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 which accounts for eventual Board policy decisions regarding capital revenue options currently under consideration.

Storm Water Management Capital Funding

Given Board discussions on February 13, 2018, it is anticipated that storm-water operating and capital projects within the Unincorporated Area will be funded from proceeds collected through a new storm-water utility. Further, projects with a general county-wide water shed benefit will still receive modest funding through a transfer from the General Fund. The FY 2019 transfer is programmed at $1.0 million. Dollars originally planned for transfer from the Unincorporated Area General Fund in the amount of $4.5 million under a millage neutral budget would be generally redirected to various capital and maintenance program areas such as park system improvements; transportation network maintenance; soft capital infrastructure like IT, accounting system upgrades; general governmental building maintenance; and expanded services connected with new capital facilities.

Adopted Budget Policy: Set up the budgetary structure and accounting controls required to collect and appropriate proceeds from an Unincorporated Area Storm-Water Utility Fee

Proposed Use of Gas Taxes

Previously, the Board directed through policy that all available uncommitted gas taxes will be used to support maintenance of the transportation network and related capital initiatives. Historically, the General Fund has transferred dollars to Gas Tax Fund (313) supporting the maintenance and improvement of the transportation network. Immediately prior to the decline in taxable values, this General Fund transfer amounted to $24 million. Gas taxes are the pledged source of repayment on the current Series 2012 and Series 2014 Gas Tax Refunding Bonds. Current debt service is approximately $13.1 million per year. The Series 2012 refunding debt expires in June 2023 while the Series 2014 refunding debt expires in June 2025. As the expiration of these debt instruments approach, the Board will be asked to continue the local option gas tax components and new debt will likely be issued to finance anticipated transportation network improvements contemplated in 2023 and 2025.

The following table depicts dollars transferred from the General Fund in support of the transportation network and related infrastructure typically funded within the Gas Tax Capital Fund and related funds.

General Fund (001) Transfers to:	FY 2016 Budget*	FY 2017 Budget	FY 2018 Budget	FY 2019 Budget
Gas Tax Road Capital (313)	$9,756,500	$1,618,700	$9,480,000	$9,300,000
Goodland CR92A (313)			$500,000	
Transportation Capital (310)		$6,841,300	$667,400	
LED Lighting (310)			$1,003,000	
Total Transp Capital Transfers	**$9,756,500**	**$8,460,000**	**$11,650,400**	**$9,300,000**

*In FY 2016, the Transfer in from the General Fund ($14,559,800) to the Gas Tax Road Capital Fund (313) provided funding to the Non-Gas Tax funded capital projects ($9,756,500), the Transportation Engineering Division ($3,169,900), and the Transit System ($1,633,400).

The General Fund capital transfer proposed for FY 2019 is $9,300,000 representing a $2,350,400 decrease from FY 2018. The Unincorporated Area General Fund transfer proposed for FY 19 is $4,250,000 and increase of $250,000 from FY 18. These dollars support maintenance on the roadway network including intersection improvements, resurfacing, bridges and other critical maintenance needs. Gas tax revenue from all sources in recent years has averaged approximately $20 million per year. When you consider the payment of annual debt service ($13.1M), the remaining $6.9 million is programmed for construction and maintenance of the transportation network.

Adopted 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 General Capital/ Debt Contribution and Debt Management

The General Fund (001) has provided via transfer the sum equivalent of up to 1/3 mil to non-impact fee eligible county wide capital functions and a debt payment component since FY 2006. This does not include the limited fiscal year set asides for the helicopter replacement and motor pool vehicle replacement start up.

For FY 2018, the equivalency rate was .2701 and for FY 2019 the equivalency rate is planned at .2825. During the economic downturn, most of this transfer evolved into a debt service payment. However, restructuring the debt portfolio has significantly eased the debt burden freeing up budget to support county-wide capital projects and necessary maintenance (Fund 301).

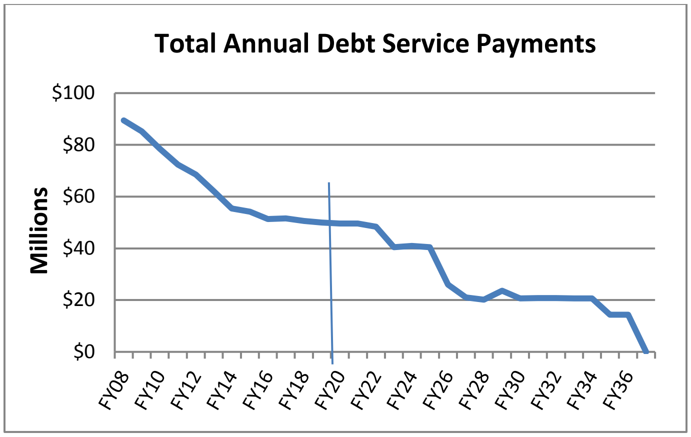
For FY 2018, $16,419,500 of the $22,581,500 equivalency transfer was planned for capital projects. For FY 2019, $15,037,000 of the $25,035,700 equivalency transfer is devoted to capital projects. This contribution represents a planned decrease from FY 2018 and this decrease may steepen knowing that any reimbursement for hurricane expenses will likely be delayed.

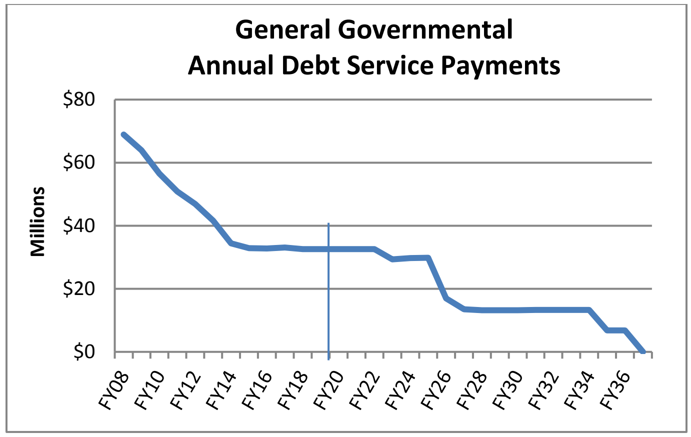
For FY 2019, the General Fund (001) transfer (loan) will be sized to cover debt service which cannot be covered by impact fees. This amount totals $9,249,200 and includes a $2,100,000 loan for construction of a new EMS facility. The loan amount for FY 2019 represents a $3.9 million increase over FY 2018 reflective of a conservative budget projections of slowing impact fee collections and the construction of a new EMS facility. Total loans outstanding 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 FY 2018 totals $98,980,150.

Payment of debt is a top priority. Under the FY 2019 budget planning scenario dollars generated from the up to 1/3rd mil equivalent allocation will be sufficient to cover all revenue bond debt service.

Of the $25 million projected transfer in FY 2019, $7.15 million will be required to cover the growth-related debt service gap due to insufficient impact fee revenue; $2.1 million is allocated as a loan to the EMS Impact Fee Fund for construction of a new station and $2.8 million is budgeted to cover non- growth-related debt. Going forward, the level of General Fund loan subsidy is heavily dependent upon the level of impact fee collections and any new growth-related capital projects planned like an EMS station or other public safety or general governmental building initiative.

Collier County embarked upon an aggressive debt restructuring program in the summer of 2010 and to date over $422.8M in general governmental debt has been refinanced. As a result, the cost of borrowing has been reduced by $1,895,900 annually with this recurring savings applied toward high priority operating and capital programs. The cumulative net interest rate of the general governmental debt portfolio has been reduced from approximately 5% to roughly 3.5% and annual principal and interest payments servicing all outstanding County debt represents 4.3% of the County's net adopted FY 2018 budget. General governmental debt outstanding represents 2.8% of the County's net adopted FY 2018 budget. The following charts depict the managed drop in annual debt service payments servicing all debt and annual debt service connected with our general governmental credit.





Collier County's total audited principal debt outstanding at 9/30/17 totals $456M of which $283.2M relates to infrastructure improvements driven by population growth and related service demands. The County's principal debt has been reduced by $332M since FY 2008.

Adopted Budget Policy: Transfer an equivalent sum of **up to** 1/3 mil to the County Wide Capital Fund for purposes of paying non-growth-related revenue bond debt; to provide impact fee fund loans to cover growth related debt obligations; and to fund much needed regular ongoing 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 buffer 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.

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 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 2008 as well as the % of reserves against total operating expenses.

Fiscal Year	General Fund Reserves	Unincorporated Area General Fund Reserves	% of General Fund Expenses	% of Unincorporated GF Expenses
2019 (Planning)	$45,492,600	$2,968,600	11.8%	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%
2013	$24,844,400	$1,596,200	8.7%	4.3%
2012	$18,180,900	$1,739,500	6.2%	4.5%
2011	$14,210,200	$2,925,100	4.7%	7.4%
2010	$15,569,100	$3,422,400	4.9%	7.2%
2009	$17,541,200	$2,853,500	5.0%	5.8%
2008	$20,506,000	$6,336,600	5.5%	12.9%

Optimally, and to achieve a regular and sustained General Fund beginning fiscal year cash position of at least $55 to $60 million, budgeted reserves should be a minimum of $45 million. Otherwise, expense side management of the budget in the form of capital transfer reductions and or reductions in operating transfers may become necessary.

For the fourth (4th) time since FY 2009, no regular mid-year operating cuts are contemplated in FY 2018. However, budget management is always ongoing and more magnified in FY 2018 considering Hurricane Irma. Close expenditure controls are always in place and monitored continually. 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.

Adopted Budgeted Policy Reserve Position for the General Fund: The Governmental 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 2018 budget numbers in the $59M-$63M range.

Collier County has never attained a General Fund budgeted reserve position higher than the FY 2019 proposed position of $45,492,600. This reserve position includes a contingency reserve set at the recurring policy level equivalent to 2.5% 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 capital transfers out representing on average ten (10) percent 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 expenses and a ceiling or maximum not to exceed 16% of operating expenses. Applying these percentages to our current FY 2019 proposed planning budget, the reserve floor and ceiling would total $31,063,400 and $62,126,700, 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.

Adopted 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 requirements for the Unincorporated Area General Fund should be set at a minimum of 2.5% of operating expenses or $1.41 million with a ceiling or maximum of no more than one month's expenses which for FY 2019 is approximately $4.69 million.

Reserve requirements for other General Governmental Funds including those that receive significant transfer revenue from the General Fund will be sized sufficient 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 (409, 472, 491, 523)

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 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 (523), Water/Sewer District (409), and Solid Waste (472).

In FY 2017, the balance of user Divisions were included in the appropriation plan, ie: EMS (491) and Road and Bridge (Funds 101/523).

In a few years, the Motor Pool Replacement Funds should build up and then maintain a Motor Pool Replacement Reserve (reserve for future capital) equal to a minimum of one year's estimated replacement cost of vehicles currently in service.

Reserve Policy Position for the Pelican Bay Services Division Family of Funds (109, 778, 320 and 322).

Operating Reserves Fund (109) – It is recommended that the funds 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 (778) – 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 (320 & 322) – 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 (408, 412, 414) and the Solid and Hazardous Waste Management Funds (470, 471, 473, 474).

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 408, 412, and 414: 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 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, recognizes 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 from the general government and those that are not.

The utility system, with gross assets of approximately $1.3 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 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.

Adopted 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). Forty-five (45) to ninety (90) days of reserves based on Fund (408), (412), and (414) budgeted FY 2018 operating expenses would range from $20.6 million to $41.1 million. FY 2018 Working Capital resources total $26.7 million representing fifty-nine (59) days of reserves.

Replenishment of unrestricted reserves that may drop below the targeted floor (45 days) or $20.6 million using FY 2018 numbers 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 470, 471, 473, and 474</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 471 for landfill closure) and unrestricted operating and capital reserves. The department is responsible for the right of way disaster debris removal on County roads and monitoring project for Collier County in the event of a natural disaster, such as the Hurricane Irma (Category 3, dry storm cash flow exposure up to $100 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 Hurricane Irma, the Solid Waste Division should establish a restricted cash flow reserve equivalent to ten percent (10%) of solid waste revenues, to be used solely to fund the 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 twelve and one-half percent (12.5%) of the cost of the debris removal mission). Such a restricted reserve balance beginning in Fiscal 2019 would begin to eliminate the need to borrow from other Enterprise Funds and/or the General Fund while awaiting reimbursements from FEMA and the State.

Adopted Reserve Policy for the Solid and Hazardous Waste Enterprise Funds: Forty-five (45) to ninety (90) days of unrestricted reserves based on Fund (470), (473), and (474) budgeted FY 2018 operating expenses would range from $6.6 million to $13.1 million. FY 2018 unrestricted reserves for the Solid and Hazardous Waste Management Enterprise Funds total $9.3 million or sixty-five (65) days of reserves.

Replenishment of unrestricted reserves that drop below the targeted floor (45 days) or $6.6M would occur in succeeding budget cycles in such amounts as deemed prudent under existing economic conditions as approved by the Board.

Establish a restricted reserve of ten (10) percent of the FY 2018 budgeted charges for services would total approximately $4.1 million. Most likely this restricted reserve will be funded over a three to five-year period.

Growth Management Division (GMD) - Planning & Regulation Enterprise Fund 113 and Development Services Enterprise Fund 131: Fund 113, 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 (113) Adopted Reserve: Targeted reserves for this fund shall be 18 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 131, 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 (131) Adopted Reserve: Targeted reserves for this fund shall be 24 months of the total budgeted expenses of the current fiscal year. The extra 6 months of targeted reserves required in comparison to Fund 113 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.

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

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. This amount represents the first level of restricted reserves for our Risk Management Funds. Within the Risk Management's restricted reserve balance, the Board has designated $5,000,000 for wind deductible maximum limits coverage for potential catastrophic losses associated with named storm events.

A margin based upon a confidence interval is then added to this base amount to assure that the estimate is sufficient 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.

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.

CPI Based Enterprise Fee Adjustments

On June 10, 2014, the Board during discussions on the water, wastewater, irrigation quality water and bulk potable water rate study provided unanimous guidance to index all enterprise fees annually equal to the year over year December adjustment in the Consumer Price Index (CPI) – Miami, Fort Lauderdale SMSA. Rather than going through time consuming and potentially costly rate studies, the Board suggested that the CPI adjustment be programmed and subsequently be reviewed by the Board during the budget process. This allows the Board discretion in approving the CPI adjustment and not simply passing the adjustment on automatically.

Adopted Budget Policy: Provide the Board with an annual report on potential enterprise rate and fee adjustments in accordance with CPI changes as indicated above and that any rate or fee adjustments be included within the proposed budget for Board consideration.

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, 2018 by Resolution
FY 2019 June Budget Workshops	(BCC Agency/Courts and Constitutional Officers Budget Workshops) Thursday, June 21 and if necessary Friday June 22, 2018 FAC Conference is June 26 – June 29, 2018 in Orlando/ Orange County.
Adoption of Tentative Maximum FY 2019 Millage Rates	July 10, 2018 (Tuesday)
Submission of Tentative FY 2019 Budget to the Board	Friday July 13, 2018.
Establish Public Hearing Dates (see note)	September 6, 2018 (Thursday at 5:05 pm) September 20, 2018 (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 September 11, 2018.

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

Adopted Budget Policy: Approve the dates identified above and attached resolution establishing May 1, 2018 budget submittal dates for the Sheriff, the Supervisor of Elections and the Clerk.

Comparative Budget Data

Provide comparative budget data using FY 2018 adopted budget data (cost and employees per capita based on unincorporated area population) by Agency with Budget Submittals for Similar Sized Florida Counties.

Adopted Budget Policy: Counties for comparison purposes include:

- Sarasota County
- Lee County
- Charlotte County
- Manatee County
- Martin County

Regular Routine Budget Policies for FY 2019

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 to which a confidence interval is not applicable.

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

Median Maintenance: Recognize the Unincorporated Area General Fund MSTD (111) as the appropriate, dedicated funding source for median beautification maintenance costs.

Carry forward: 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 fund balance is maintained to provide cash flow for operations prior to the receipt of ad valorem taxes and other general revenue sources.

Proper General Fund cash balance 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 69.0% of the total FY 2018 General Fund adopted operating revenues).

Fund balance is also an important measure used by bond rating agencies in determining the County's credit worthiness. Specific concerns for Florida communities were reliance on the tourism industry and sales tax revenue, and the ongoing threat from hurricanes and wildfires. For Florida coastal communities, a minimum carry forward balance of 10% 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 and cash equivalents (carry-forward) in the General Fund should be a minimum of 10% of actual expenditures. At year ending September 30, 2017, actual General Fund carry forward balance totaled $57,653,800, an increase of $2,894,700 over year ending FY 2016. The FY 2017 carry forward balance represents approximately 16.4% of actual FY 2017 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 2019. 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 2018, the payment in lieu of taxes calculation was based upon a "franchise fee equivalent basis" commonly referred to as a percentage of gross receipts. Five and one quarter percent (5.25%) of gross receipts of the Water/Sewer District were applied in FY 2018 and this method and percentage is planned for in FY 2019. One and three-quarter percent (1.75%) of Solid Waste tipping fees were applied in FY 2018 and this method and percentage is planned in FY 2019. 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.

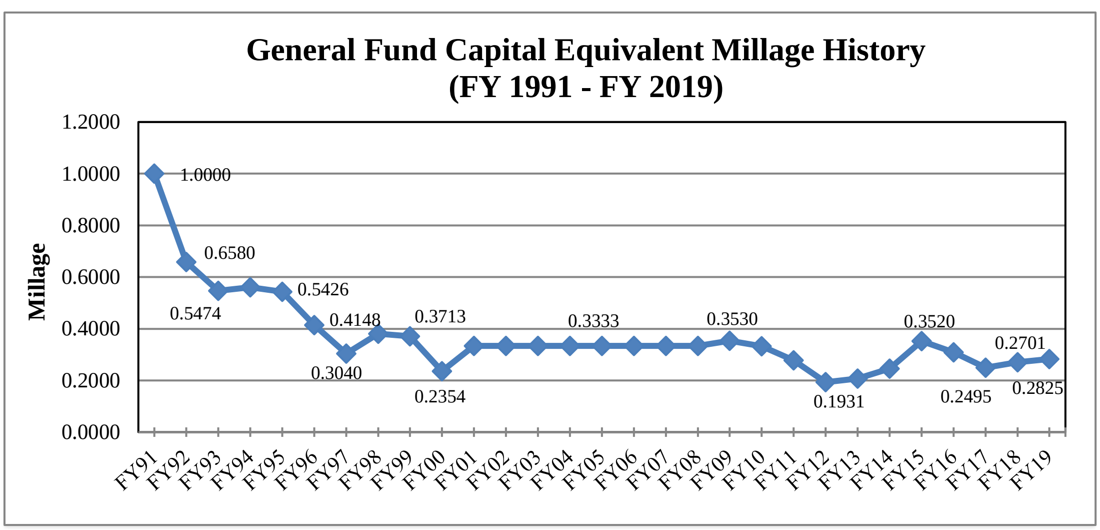
Prior to FY 2013, PILT was based upon the prior year General Fund millage rate multiplied by the prior year gross (non-depreciated) value of property, plant, and equipment.

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 advance refunding for economic savings will be undertaken when a present value savings of at least five percent of the refunded debt can be achieved. The policy also states that five percent 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 fixed General Fund equivalent millage dedicated to ongoing regular capital projects, debt financing and impact fee fund debt loans from the General Fund. The recommended rate is up to the equivalent of 0.3333 mills. (See history below).



The General Fund continues to loan money to 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. Loans from the General Fund to the impact fee trust funds began in FY 2005 and the value of all loans made now totals $99 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 2019 - FY 2021)

OMB staff prepares annually a three-year projection of General Fund and MSTD 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.

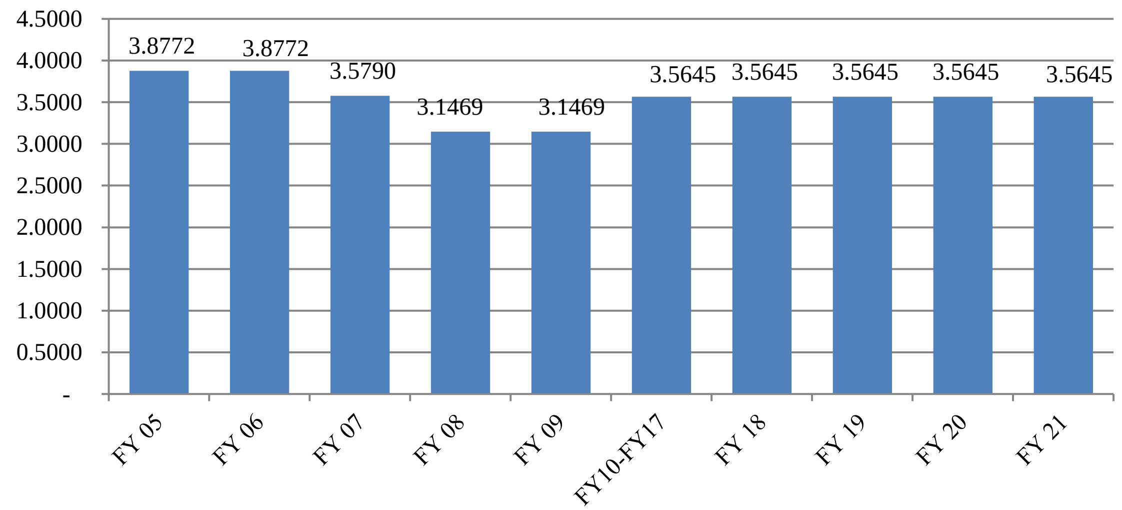
The following 3-year budget projections are for the General Fund (001) and the MSTD General Fund (111).

General Fund

General Fund (001) Millage History and Millage Rates

As a point of reference, the following graph plots the historical General Fund millage rate, as well as tax rates for FY 2019 through FY 2021. These rates do not include any marginal increase which the Board may direct by policy for a specific program or initiative. Millage neutral rather than tax neutral rates for general operations are used for planning purposes considering the belief that taxable value will continue to increase in the future.

General Fund Millage History and Recommended *Millage Neutral Tax* Rates
(FY 2005 to FY 2021)



While the County Manager will be recommending a General Fund ***millage neutral base operating budget*** in FY 2019 and while this millage neutral budget will contain funding for priority public safety and other significant asset maintenance/replacement initiatives, the Board should note the magnitude of our future asset maintenance responsibility and devote additional future dollars which may be generated from an increasing taxable value base to maintaining and or replacing corporate assets.

Diversifying the County's tax base means in large part attempting to reduce risk. Risk of an economic downturn which surely will 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 maintenance in numerous areas. We have addressed our future heavy equipment, public safety and general vehicle replacement needs and soon may address our storm-water system capital and maintenance 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. Risk reduction is certainly not achieved under a tax policy that reduces a general, flexible revenue source like property taxes which can and will be used to offset the funding needs stated above when a very narrow and statutorily restricted new revenue source like a storm-water utility fee is introduced.

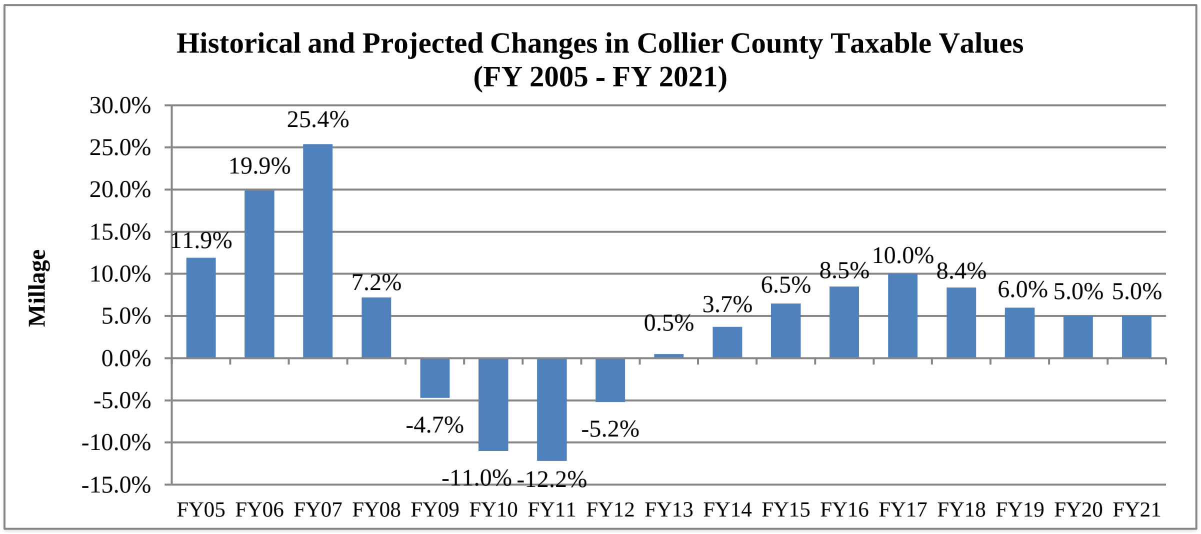
The following tables depict the respective *millage neutral* tax rates for FY 2019, 2020 and 2021 as well as additional ad valorem dollars which could be raised under certain increasing tax base assumptions. **Again, the table does not account for any marginal rate increase which may be earmarked by BCC policy for a specific program or initiative or for that matter any Board policy decision reducing tax rates.**

General Fund	FY 18 Adopted and Recommended *Operating Millage Neutral* Millage Rates	Additional Budgeted Ad Valorem Revenue Projection Each Year
FY 18	3.5645	
FY 19	3.5645	$17,882,100 @ 6.0% TV Increase
FY 20	3.5645	$15,795,900 @ 5.0% TV Increase
FY 21	3.5645	$16,585,700 @ 5.0% TV Increase

For Collier County to continue providing high quality best value services; continue to address infrastructure maintenance; replace public safety and general governmental equipment and vehicles; maintain its reserve and cash positions pursuant to policy and representative of an investment quality credit rated organization, it is essential to capture those additional ad valorem dollars generated by increasing taxable values. Further, tax policy should also account for the County's effort to cash flow expenses connected with Hurricane Irma and the delay in receiving FEMA reimbursements well into FY 2019. This anticipated delay will likely cause further capital project deferral and draws on fund reserves.

Failure to capture additional property tax dollars resulting from increasing taxable values will jeopardize service levels and make it very difficult to maintain the extraordinary infrastructure investment which this community enjoys. As an example, in FY 2019, the projected rolled back rate within the General Fund is $3.4677 which would raise $8,580,800 less than millage neutral or levying the current planning operating rate of $3.5645. While the FY 2019 estimated rolled back rate would produce $9,301,300 more than the FY 2018 levy due to new construction taxable value and a higher taxable value base, this is not a sustainable model going forward knowing the level of investment required to simply maintain our general governmental assets, and fund Sheriff operations let alone expand services and facilities based upon AUIR requirements and servicing the needs of an expanding population.

The projected millage rates assume that the tax base will increase 6.0% in FY 2019 (the 2018 tax year). Taxable value in FY 2020 is projected to also increase 5%. The Property Appraiser will provide preliminary taxable value estimates for FY 2019 on June 1, 2018. Actual and assumed changes in County taxable values are as follows:



Notes to Graph - FY 2007: The General Fund (001) millage rate adopted in FY 2007 was based upon a 16% increase in taxable value pursuant to BCC direction. FY 2008: As part of the Florida Legislative Property Tax Reform package implemented in FY 2008, Collier County adopted its final millage rate at 91% of the rolled back rate.

FY 2019 Significant Expense Assumptions

A millage neutral operating budget, again assuming no marginal adjustment for special policy initiatives of the BCC, assuming an increasing taxable value base provides the County with those important additional 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;

- Allocation for compensation administration – 2%.
- 2% attrition rate on regular salaries assumed in the County Manager's Agency.
- Motor pool replacement dollars for continued regular routine ambulance replacement.
- $6,000,000 for general building and a/c repairs.
- New voting machines totaling $400,000.
- Continued additional David Lawrence Center Funding in the amount of $300,000
- General Fund loans to the impact fee trust funds total $9,249,100 which includes a $2,100,000 loan to construct a new EMS Facility and ambulance unit.
- Storm-water capital funding of $1,000,000 for continued countywide storm-water projects and storm-water operations
- General Fund transfer dollars supporting road construction and maintenance funded at $9,300,000.
- General Fund support of EMS Operations established at $18,018,600 – up 2.5% from last year reflecting recurring costs of additional services to equalize response times county-wide plus costs to operate a planned new facility.
- Full support for Transportation Operations from the General Fund (001) exclusively. Continue transfer of dollars from the General Fund to the Motor Pool Replacement Fund for Road and Bridge vehicles.

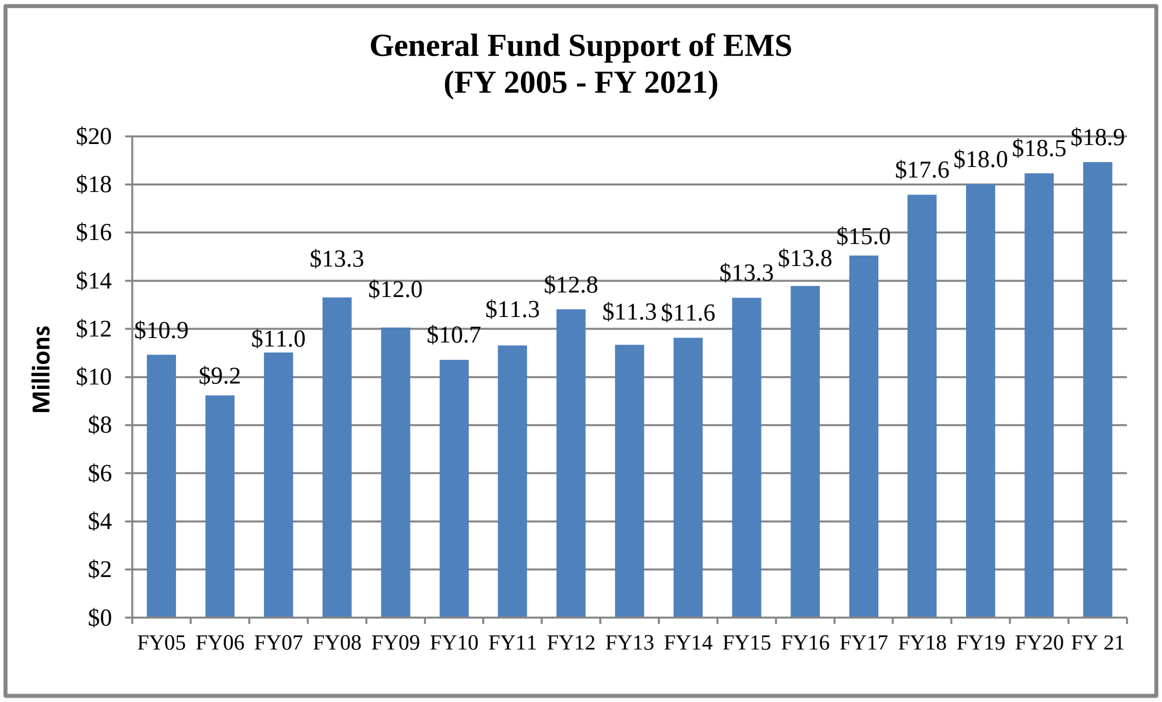
- Airport capital funding totaling $445,000.
- Corporate IT capital funding totaling $750,000.
- Capital funding for Sheriff Facilities totaling $1,000,000.
- Mandates to be absorbed if possible within operating budgets, including Constitutional Officers.

Significant Revenue Assumptions

- FY 2018 ad valorem tax revenue forecast is 96% of actual taxes levied. FY 2018 forecast totals $287,557,600 – a reduction of $10,429,200 from the adopted budget. Collections are within the 5% budgeted revenue reserve.
- A millage neutral position without any marginal increase which the BCC may apply for a specific program or initiative for FY 2019 produces a levy of $315,917,700.
- Sales tax revenue forecast for FY 2018 is projected at $40,000,000 representing an increase of 2.6% over budget. FY 2019 budgeted revenue is projected at $41,000,000 or 5.1% over the adopted 2018 budget. Conservative revenue estimates are essential to achieving the required beginning cash balance position.
- State Revenue Sharing for FY 2018 is projected to increase $1,000,000 or 10.0% over budget. FY 2019 budgeted revenue is projected at $11,000,000 or 10.0% over the adopted 2018 budget.
- Constitutional Officer turn-back is a conservative budget estimate and for FY 2019 $6,600,000 is projected. FY 2018 forecast totaling $11.1 million includes anticipated reimbursement from FEMA to the Sheriff for salaries connected with Hurricane Irma emergency preparedness.
- Measures to maintain beginning cash balance at between $55 million and $60 million continue to be 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 2019 is projected to remain at $750,000.

EMS Fund

EMS Operations Fund 490 is another fund that impacts significantly on the General Fund. Typically, this ad valorem support in recent years accounted for 50% to 55% of total EMS operating revenues. However, the percentage is likely to increase given instability in fee revenue collections and any Board policy directives. Historical and projected General Fund support of EMS operations by fiscal year is as follows:

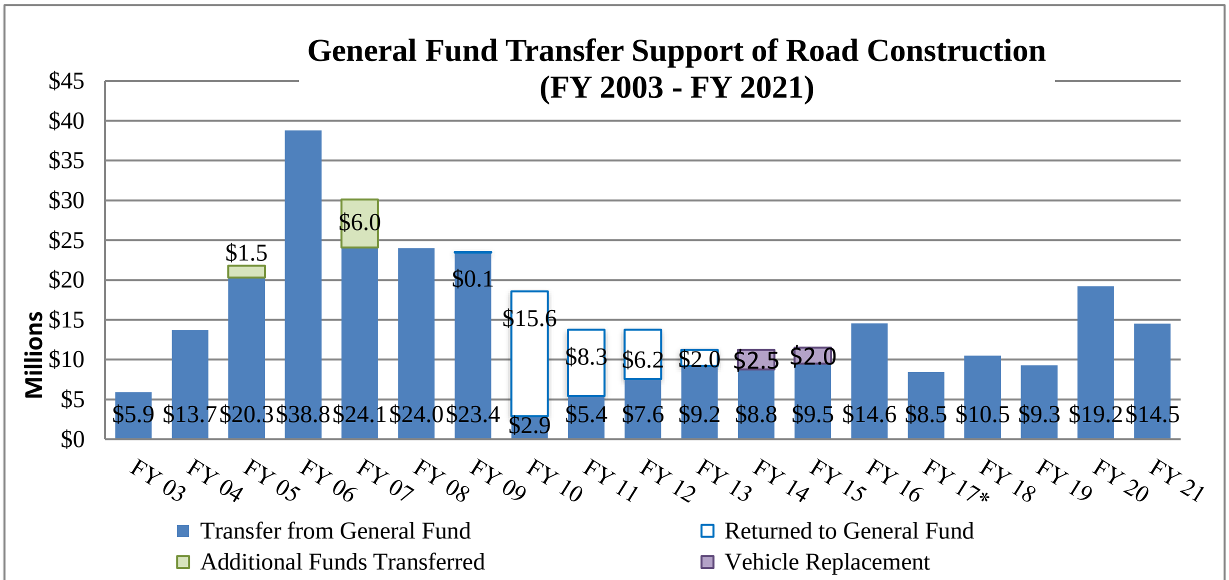


Use of General Fund dollars to support this life/safety function has and continues to be a priority.

Road Construction Program

The Board approved road financing plan was based historically on using growth in taxable value and maintaining the General Fund millage rate to provide increasing dollars to meet the road funding commitments. These dollars are depicted on the following graph.

With taxable values projected to increase, the General Fund contribution to road construction and maintenance is expected to total $9.3 million. 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 resources to protect this important investment. Capital obligations necessitated by state or federal agreement, like JPA's and DCA's will be funded.



*In FY17, the Engineering Division's budget of $3.7 million was moved out of the Transportation Capital Fund and into the Road & Bridge Operations Fund 101 . Also the Transit system transfer from Transp. Capital Fund of $1.5 million is now supported by the General Fund.

FY 2020

A ***millage neutral*** operating budget in FY 2020 with an increase of 5% in taxable value will continue to allow for priority funding of public safety capital initiatives and AUIR capital programming like the EMS Stations and sheriff capital requests. This of course is in addition to other infrastructure replacement needs and continuing expanded service requirements in those operations funded within the General Fund.

In addition to annual inflationary cost increases, the following items were included in the FY 2020 budget analysis:

- Maintain general governmental capital projects funding in an equivalency up to 0.3333 mills.
- 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.

In summary, the FY 2020 analysis signals caution especially when critical variables like taxable value, market conditions and general revenues are difficult to predict. Pursuing a ***millage neutral*** operating budget in FY 2019 without a sufficient budgeted beginning fund balance would likely result in a $3.3 million budget planning deficit as depicted in the trend analysis. Of course, required budget management to eliminate any actual equity reduction would occur in real time.

FY 2021

A ***millage neutral*** operating budget in FY 2021 coupled with a 5% taxable value increase allows for continued funding of backlog asset maintenance and replacement while funding those programs and services enjoyed by an expanding population base. Once again, management of the budget will be important to achieve a sufficient beginning fund balance.

The following items were included in the FY 2021 budget analysis:

- Maintain general governmental capital projects funding in an equivalency up to 0.3333 mills.
- 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.

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 property taxes or 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

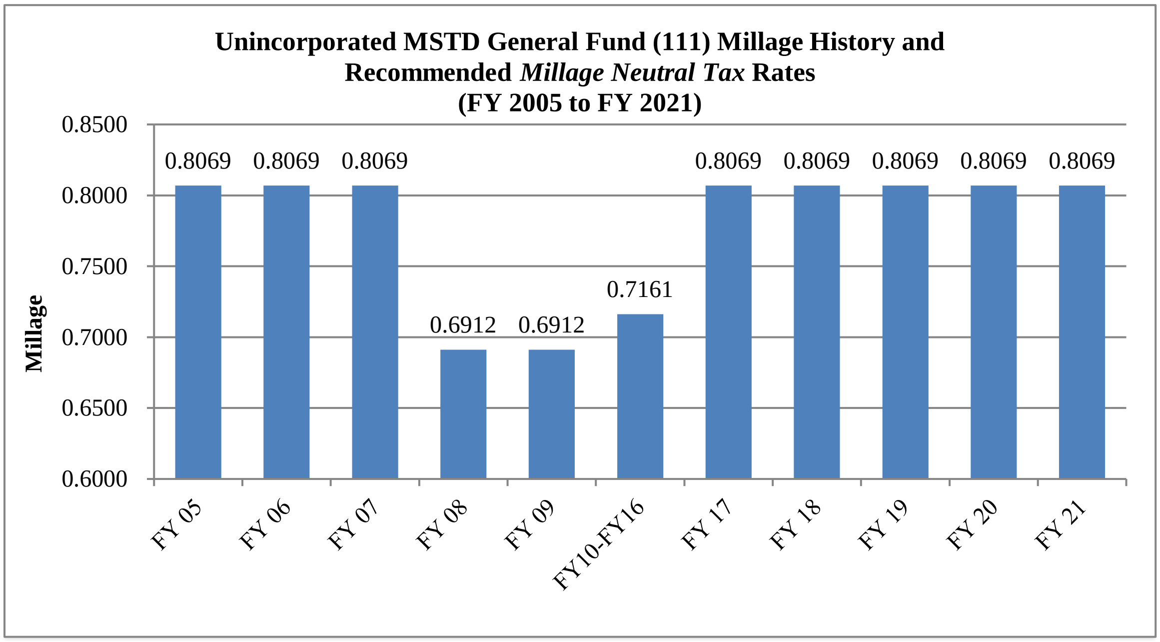
General Fund (001) Analysis

	Adopted Budget FY 2018	Forecast FY 2018		Forecast FY 2019 (6% Tax Value increase)		Forecast FY 2020 (5% Tax Value increase)		Forecast FY 2021 (5% Tax Value increase)		Forecast FY 2022
Revenues:										
Ad Valorem	297,986,800	287,557,600	-3.5%	304,810,900	6.0%	320,051,500	5.0%	336,054,100	5.0%	
Sales Tax	39,000,000	40,000,000	2.6%	41,000,000	2.5%	41,000,000	0.0%	41,000,000	0.0%	
Revenue Sharing	10,000,000	11,000,000	10.0%	11,000,000	0.0%	11,000,000	0.0%	11,000,000	0.0%	
Other Revenues	33,717,600	38,566,600	14.4%	34,608,400	-10.3%	33,818,700	-2.3%	33,928,600	0.3%	
Less 5% Required by Law	(18,183,300)	0		0		0		0		
Carryforward	51,431,600	57,653,800	12.1%	*48,929,100*	-15.1%	*56,511,100*	15.5%	*53,232,300*	-5.8%	*49,910,600*
Total Revenues	413,952,700	434,778,000	5.0%	440,348,400	1.3%	462,381,300	5.0%	475,215,000	2.8%	
Expenditures:										
Departments/Divisions	73,989,900	70,761,900	-4.4%	72,806,100	2.9%	74,626,300	2.5%	76,492,100	2.5%	
Operating Transfers	49,379,700	50,004,200	1.3%	50,490,000	1.0%	51,768,500	2.5%	53,081,300	2.5%	
FEMA Transfers	0	14,950,000	N/A	0	-100.0%	0	N/A	0	N/A	
Debt Service	2,855,200	2,855,200	0.0%	2,849,500	-0.2%	2,863,500	0.5%	2,849,400	-0.5%	
Cap - Loans to Impact Fee Fds	5,306,800	5,306,800	0.0%	9,249,200	74.3%	10,193,700	10.2%	10,300,600	1.0%	
Capital Transfers	28,946,900	28,946,900	0.0%	23,237,000	-19.7%	34,246,900	47.4%	36,227,700	5.8%	
Replacement Vehicles & Equip	1,750,000	1,750,000	0.0%	1,500,000	-14.3%	1,500,000	0.0%	1,500,000	0.0%	
Constitutional Officers	211,273,900	211,273,900	0.0%	223,705,500	5.9%	233,950,100	4.6%	244,853,300	4.7%	
Reserves	40,450,300	0		0		0		0		
Total Expenditures	413,952,700	385,848,900	-6.8%	383,837,300	-0.5%	409,149,000	6.6%	425,304,400	3.9%	
Revenues less Expenditures (Carryforward)		*48,929,100*		*56,511,100*		*53,232,300*		*49,910,600*		
										Total amount of Equity Consumed
Amt of Equity (CF) (reduced)/increased to balance the budget		*(8,724,700)*		*7,582,000*		*(3,278,800)*		*(3,321,700)*		*(7,743,200)*
Budgeted Reserves	40,450,300			45,492,600		45,901,600		46,255,500		

Unincorporated Area General Fund (111)

MSTD General Fund (111) Millage History

As a point of reference, the following graph plots the historical MSTD General Fund (111) millage rate, as well as the policy proposed millage rate for FY 2019 through FY 2021, which includes the proposed marginal millage rate increase to continue the landscape median capital program.



Results of Unincorporated Area General Fund Analysis

For FY 2018, the Board of County Commissioners maintained the Unincorporated Area General Fund millage rate at $.8069 or that rate levied in FY 2007 to continue the median landscape capital program and allocate recurring dollars for maintenance of the landscape investment. The table below depicts the marginal dollar increase which will be devoted to general operations and general government capital as well as that component allocated toward continuing the median landscape capital program. Incremental ad valorem dollars obtained through taxable value increases under the current $.7161 operating millage rate will fund recurring operations and provide resources to maintain the road network, storm-water system, and community park capital. The marginal rate increase to $.8069 or $.0908 will be used exclusively to fund median landscape capital as well as landscape maintenance going forward. The Board should also note the magnitude of our future maintenance and asset replacement responsibility and dedicate resources gained through an increasing taxable value base toward this purpose.

Unincorporated Area General Fund	FY 18 Adopted and Recommended future Tax Rates	Additional Budgeted Ad Valorem Revenue Projections Each Year – Operations and General Capital	Additional Budgeted Ad Valorem Revenue Projections Each Year – Median Landscape Capital and Maintenance
FY 18	0.8069		
FY 19	0.8069	$2,224,100 @ 6.0% TV Increase	$282,000 @ 6.0% TV Increase
FY 20	0.8069	$1,964,600 @ 5.0% TV Increase	$249,100 @ 5.0% TV Increase
FY 21	0.8069	$2,062,900 @ 5.0% TV Increase	$261,600 @ 5.0% TV Increase

For Collier County to continue providing high quality best value services; continue to address infrastructure maintenance; replace equipment and vehicles; maintain its reserve and cash positions pursuant to policy and representative of an investment quality credit rated organization, it is essential to capture those additional ad valorem dollars generated by increasing taxable values as shown above. Failure to do so will jeopardize service levels and make it very difficult to maintain the wonderful infrastructure investment which this community enjoys. As an example, in FY 2019, the projected rolled back rate within the Unincorporated Area General Fund is $.7900 which would raise $927,700 less than levying the current millage rate of $.8069. While the rolled back operating rate would produce $1,578,400 more than the FY 2018 budgeted levy due to new construction taxable value and a higher taxable value base, this is not a sustainable model going forward knowing the level of expanded funding commitment required to operate and maintain the County's current and future capital infrastructure investment enjoyed by our Unincorporated Area residents and visitors.

FY 2019

The FY 2019 budget projection is based upon a 6.0% tax base increase. Property taxes and the state shared communications services tax represent over 95% of the operating revenue (less transfers) within the Unincorporated Area General Fund (111). Once again, changes to 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.

Capital transfers from the Unincorporated Area General Fund have grown substantially since FY 14 and for FY 19 $14.5 million is programmed representing a $1.1 million increase over last year. These transfer dollars are programmed for Parks, Transportation, Storm-Water infrastructure, landscaping capital and heavy vehicles and equipment. Sustaining these capital appropriations and maintaining necessary transportation, landscaping, park, code, planning and general operations in this fund requires at the very least a millage neutral tax position along with continued state shared communication services tax revenue.

With introduction of the storm-water utility fee, the planned $4.5 million transfer for storm-water programming would be re-prioritized to increase reserves; support much needed transportation network improvements; increase contributions to park capital projects and make a final one-time contribution to replace road and bridge heavy equipment deferred during the recession. This model is not sustainable under a rolled back millage rate and/or loss of the communication services tax without mid – year budget reductions or the introduction of replacement revenue sources like a franchise fee. Any required mid-year cuts will likely affect transportation operations, park and recreation programs and other non-public safety services.

FY 2020

If taxable values increase by 5.0% in FY 2020, a millage neutral operating budget coupled with a reduction in beginning fund balance could result in a potential budget planning deficit of $2.5M as depicted within the preceding trend analysis. This analysis assumes a state communication services tax reduction. The trend analysis shows continued erosion of the funds cash position. This model is certainly not sustainable and real-time budget management would always ensure that any equity erosion beyond that planned would be curtailed. Continued funding for median landscape capital improvements is planned.

FY 2021

Continuation of millage neutral operating budget into FY 2021 under a 5.0% increase in taxable value 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. Continued funding for median landscape capital improvements is planned. For planning purposes and assuming continued decline in beginning budgeted fund balance, a deficit of $3.2 million is depicted. Absent real-time budget management the model depicts a total fund equity loss from FY 2019 through FY 2022 totaling $9.8 million.

The Unincorporated Area 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 property taxes or 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.

Unincorporated Area General Fund Trend Analysis

Unincorporated Area MSTD General Fund (111) Trend Analysis

	Adopted Budget FY 2018	Forecast FY 2018		Forecast FY 2019 (Increase 6% TV)		Forecast FY 2020 (Increase 5% TV)		Forecast FY 2021 (Increase 5% TV)		Forecast FY 2022
Revenues										
Ad Valorem	37,046,800	35,564,900	-4.0%	37,720,900	6.1%	39,607,000	5.0%	41,587,400	5.0%	
Ad Valorem - Landscaping Component	4,697,500	4,509,600	-4.0%	4,782,900	6.1%	5,022,100	5.0%	5,273,200	5.0%	
Communication Services Tax	4,600,000	4,700,000	2.2%	4,800,000	2.1%	3,800,000	-20.8%	3,800,000	0.0%	
Other Revenue	6,137,900	5,765,200	-6.1%	7,811,200	35.5%	8,045,500	3.0%	8,126,000	1.0%	
Less 5% Required By Law	(2,546,900)	0	-100.0%	0	N/A	0	N/A	0	N/A	
Carryforward	7,436,300	9,659,200	29.9%	6,777,000	-29.8%	5,647,100	-16.7%	3,073,500	-45.6%	(135,800)
Total Revenues	57,371,600	60,198,900	4.9%	61,892,000	2.8%	62,121,700	0.4%	61,860,100	-0.4%	
Expenditures										
Landscape Maintenance	6,443,300	6,315,000	-2.0%	6,842,700	8.4%	7,527,000	10.0%	8,279,700	10.0%	
Roads	2,562,500	2,500,000	-2.4%	2,562,500	2.5%	3,062,500	19.5%	3,562,500	16.3%	
Parks & Rec.	13,892,900	13,500,000	-2.8%	14,250,000	5.6%	14,593,800	2.4%	14,958,600	2.5%	
Code Enforcement	4,634,900	4,489,900	-3.1%	4,681,100	4.3%	4,798,100	2.5%	4,918,100	2.5%	
Other Departments/Divisions	9,404,600	9,144,200	-2.8%	9,489,100	3.8%	9,726,300	2.5%	9,969,500	2.5%	
Capital Transfers	17,450,300	17,472,800	0.1%	18,419,500	5.4%	19,340,500	5.0%	20,307,500	5.0%	
Reserves	2,983,100	0	-100.0%	0		0		0		
Total Expenses	57,371,600	53,421,900	-6.9%	56,244,900	5.3%	59,048,199	5.0%	61,995,900	5.0%	
Fund Balance		6,777,000		5,647,100		3,073,501		(135,800)		Total Amount of Equity Consumed
Equity Reduction to balance budget		(2,882,200)		(1,129,900)		(2,573,599)		(3,209,300)		(9,794,999)
Budgeted Reserves				2,968,600		2,968,600		2,968,600		