Fiscal Year 2021
Adopted Budget Policies
Collier County Board of County Commissioners
February 25, 2020

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Overview and General Budget Planning

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 21 thru 25; 27 & 29, 30 thru 31; and 33 thru 38. 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 and budget planning evolves for FY 2021 and beyond.

The regional economic environment remains relatively stable among key financial, housing, employment, visitation and demographic indicators. Taxable value County Wide has increased for eight (8) consecutive years, through FY 2020, and the tax base is at an all-time high. The County's credit rating is consistently "investment quality" among all three major rating agencies under a stable outlook, general governmental and enterprise fund cash balances are strong, and reserves meet policy standards for a coastal community. County median home prices remain in the low to mid $400K value into the fourth quarter of calendar 2019 with the November 2019 value at 435,000; Single family home sales totaled 385 units in November 2019, 42 units more than November 2018. Calendar year visitation to the destination through December 2019 is up 5.8%. Direct visitor spending also increased for the January to December 2019 period by 8.1%. Visitation remains strong and the destination marketing program is expected to keep Collier County a prime location for tourists. New construction permitting for calendar 2019 through December 2019 averaged 258 permits per month slightly above the average of 254 monthly permits for the same 2018 period. The County's unemployment rate is 2.6% in November 2019 which continues below the state and national averages.

The County is positioned to structure and issue strategic general governmental and enterprise debt for capital projects while borrowing costs remain low upon recommendation by the Finance Committee. Projects in the area of storm-water, bridges, parks and utilities will likely require financing during FY 2021 and FY 2022.

While the regional economy continues to remain stable, senior leadership regularly evaluates all economic indicators and the organization is always positioned financially to respond quickly to softening economic conditions.

<u>The Budget as a Tactical Financial Tool and Strategic Policy Model</u>

The annual budget document is considered a single use tactical financial plan which appropriates dollars toward one-year initiatives, activities and projects in furtherance of longer-term policy objectives. This tactical budgetary plan begins with an examination of annual budget policies which describe in detail the tactical issues to be funded. While the budget is a tactical tool, components of the budget also program dollars strategically. Reserves designated for future asset maintenance and replacement, vehicle and equipment replacement, natural disasters and unforeseen risks are considered critical strategic positions and emphasize the need for careful resource allocation among competing short term and long-term funding priorities.

As the County's general governmental and enterprise capital assets grow, regularly resourcing long-term asset maintenance and replacement becomes increasingly important. For FY 2020, $498.8 million or 24% of the County's $2.060 billion Gross Budget represented capital projects and capital reserves.

Natural Disaster Planning

Since landfall of Hurricane Irma over two years ago, the County has put forth significant effort and resources in a continuing effort to harden critical public safety and utility infrastructure. Financially, the County is always prepared to cash flow and expend appropriated dollars to restore the community from any natural disaster and County leadership remains committed to a value-added coordinated emergency management approach which coalesces all County Agencies and external District partners as future natural disasters threaten Collier County.

As a reminder, to cash flow a natural disaster, three specific budget techniques are utilized. First, in funds where sufficient cash exists, FEMA revenue is budgeted, and corresponding expense budget appropriated anticipating some level of reimbursement in the coming months/years. 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, existing capital project budgets are reviewed and re-allocated were appropriate. Third, general governmental and enterprise reserves are drawn down in appropriate and prudent amounts.

For perspective, as of January 2020, the County has spent $120.9 million (not including salaries) recovering from Hurricane Irma. The County has received $83.8 million in reimbursement revenue consisting of $57.4 million in FEMA reimbursement and $26.4 million in insurance reimbursements. The County can expect in the future to front substantial resources recovering from a major natural disaster for 18-24 months before any reimbursement revenue is received. Debris removal is the most expensive community restoration component generally accounting for 60% to 65% of all recovery costs.

General Budget Planning

The FY 2021 budget plan will allocate funding for recurring operational expenses albeit limited and continue funding for replacement capital infrastructure and maintenance as well as new capital initiatives not funded through the local option infrastructure sales tax. Capital and operational programming continue to compete for limited resources which always is a pressure point as appropriation decisions are made for 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 widely recognized by those agencies who are consumers of the County's budget data and offer financial ratings of our agency.

The budget as a flexible financial planning document will be subject to many changes in FY 2021 with several financial variables yet to be determined, including;

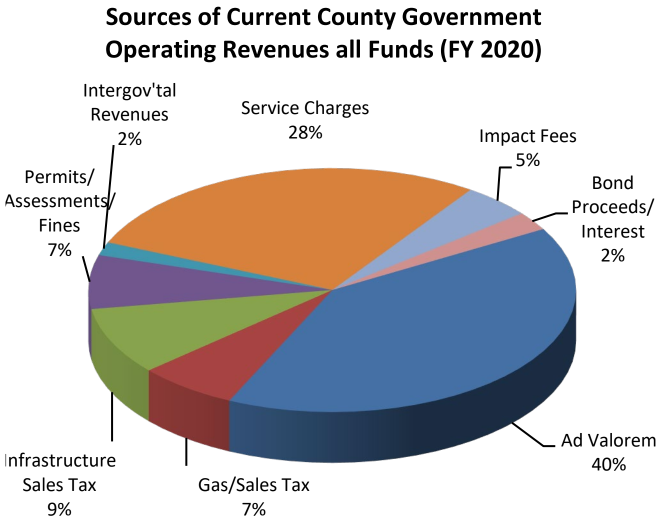
- Tax policy decisions by the Board will determine the level of budget flexibility and the specific resource allocation for operations and capital transfers; the level of reserve programmed, and payment of debt will likely not be affected by the Board's tax policy decision.

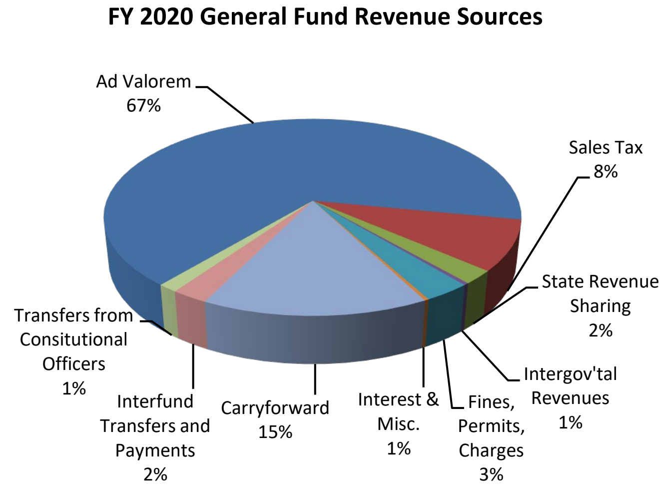
- While issuance of debt is not programmed within the adopted budget, the budget will be positioned for amendment during an FY to allow for financing projects like storm-water system expansion; bridge replacement; park system improvements and other policy initiatives as directed by the Board.
- Extent of gap funding to complete construction of Amateur Sports Complex Facilities.
- Planning for recurring general governmental industry standard funding to maintain storm-water infrastructure and a "pay as you go" capital component totaling at least $13.5 million which is the FY 2020 appropriation from the General Fund and Unincorporated Area General Fund.
- Board policy guidance on issues like workforce and first responder housing; mental health; and development of the Golden Gate Golf Course property.
- Level of funding connected with strategic relocation of various governmental functions on the main campus; costs connected with back office infrastructure replacement like the management and accounting system, and information technology system upgrades.
- Construction of the Heritage Bay east of CR 951 governmental facilities campus.
- Level of General Fund transfer support to the constitutional officers and specifically the Sheriff.
- Amount of General Fund Dollars if any required to backfill the impact fee trust funds due to continued State Legislation restricting the use of general governmental impact fees.

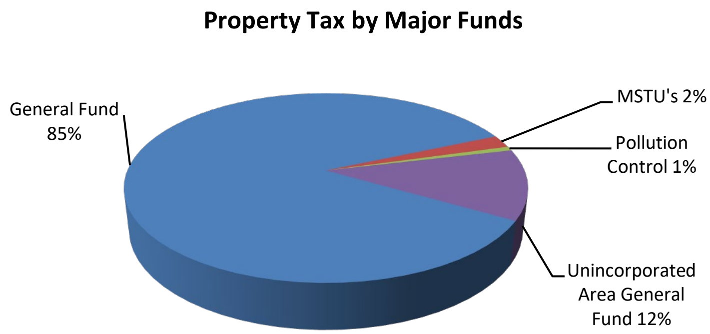
Annual Budget Policies Adopted

Significant Budget Influences:

Each fiscal year based upon 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. Property (ad valorem) taxes will once again dominate the County's budgetary revenue mix which for FY 2020 comprise about 40% of total net recurring annual operating revenue and 67% of General Fund recurring revenue sources. Seventy-seven (77%) of General Fund revenue is comprised of property taxes, sales tax and state shared revenue (percentages do not include revenue reserve).







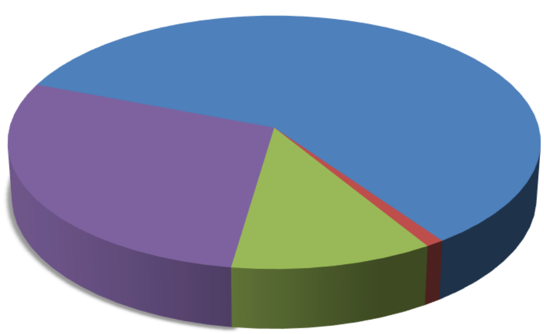
Thus, significant attention is paid to ad valorem taxes and those factors that can influence millage rate and tax levy decisions. The decision to develop the FY 2021 budget around the rolled back rate, millage neutral rate or other rate is a key decision made by the Board and this decision will determine the level and extent of operational, capital and constitutional funding. Under millage neutral policy guidance applied to the tax base planning scenario, the FY 2021 General Fund levy will increase $9,952,700 over FY 2020. Under a tentatively calculated rolled back tax rate policy, the General Fund Levy will increase $7,756,500 which is a $2,196,200 levy loss from millage neutral. The following points are noteworthy in considering general governmental tax policy for FY 2021.

- The County's current General Fund millage rate of $3.5645 has been levied for the past eleven (11) years or since FY 2010. During the recession when taxable value dropped some $24 billion, this millage rate 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 $115.3 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.
- Levying the rolled back rate in FY 2021 based upon a planned 3% increase in the tax base would result in a $7.7 million dollar increase over the FY 2020 levy, but a reduction of $2.2 million if millage neutral was applied to the planned tax base increase. The concern is not year one of levying the rolled back rate, it is the cumulative effect should the Board decide that rolled back rate is the new normal; or the rolled back rate is abandoned when the tax base

decreases, and millage neutral then becomes the tax policy because the rolled back rate increases as the tax base declines.

- Property taxes comprise 67% of total General Fund recurring revenue.
- If the Board had voted to levy the rolled back rate in FY 2020 during the September public budget hearings, $8.8 million in General Fund capital and or operating program cuts would have been necessary. This level of budget adjustment would not 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 funding 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 and or constitutional officer operating reductions.
- Programmed within the General Fund for FY 2020 is over $30 million dollars supporting various general governmental capital initiatives in the areas of transportation, parks and recreation, storm-water, airports, museums and of course all constitutional capital requests.
- Constitutional operating transfers out of the General Fund (less paid by Board requirements) constitute 49.2% 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. School safety officer programming will impact the sheriff's budget significantly adding about $3.0 million per year over the next three (3) years.
- Of the $475.5 million-dollar FY 2020 General Fund Budget only about 29 percent or $135.6 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 20 General Fund (001) Budgeted Expenditures by Category



Total $475,482,000

General Governmental, 28.6%

Roads	30,312,400
Stormwater	7,331,100
Other G&A	5,982,500
County Attorney	3,003,100
County Manager	1,412,900
Budget/Mgmt /Grants	1,383,700
Corp Plan & Perfor.	1,129,500
CollierTV/Comm.	127,400
Animal Svcs	3,550,700
Library	9,050,800
Musuem	403,000
Veteran Services	392,400
Parks & Rec.	14,550,600
Social Servs/Seniors	3,327,900
Univ Extension Svcs	799,600
Sea Turtle Monitoring	131,500
Sports Complex	2,984,200
Facilities Mgmt	19,041,700
Other Capital Proj	10,654,700
Real Estate Svcs	786,200
Grants	2,000,000
Employee Svcs	2,297,100
Purchasing	2,026,500
Department Admins	2,493,400
CAT/Transp. Disadvant.	5,626,000
Econ. Dev/Impact Fees	1,378,700
Courts	2,035,600
Airports	1,425,600
TOTAL	$135,638,800

Health, Safety, Welfare, 59.4%

Mental Health	2,423,200
Health Dept.	1,869,400
Emergency Svcs	23,044,400
State Atty	416,000
Public Def.	308,400
Judges	67,300
Everg City Utilities	100,000
Sheriff	202,811,500
Reserves	51,532,900
TOTAL	$282,573,100

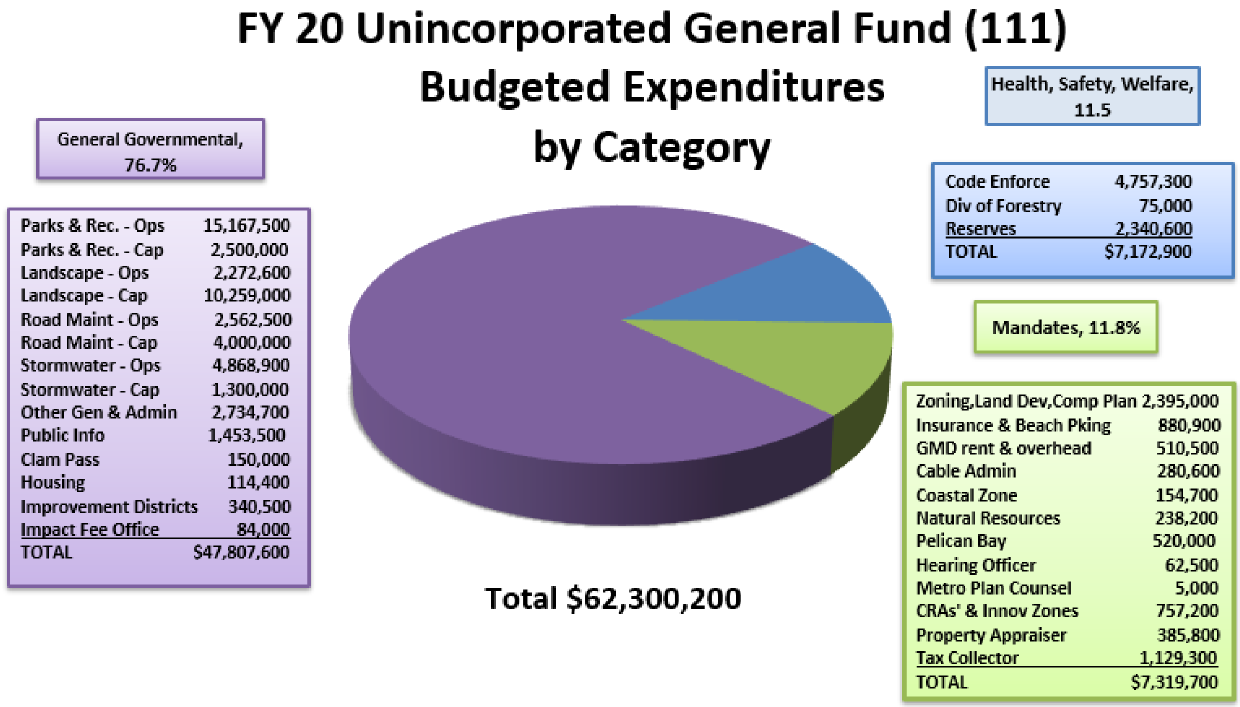
Debt Service, 1.0%

Special Obligation Bd	2,918,300
Comm Paper Loans	775,900
Loans to Impact Fee Fds	1,040,200
TOTAL	$4,734,400

Mandates, 11.0%

Board Offices	1,330,600
Dept of Juv Justice	1,115,300
Medicaid	3,383,400
Facilities (Utilities)	1,839,800
Reg. Plan. Council	109,500
CRA, EcoDev, & In Zone	7,055,500
Elections	4,607,900
Prop. Appraiser	7,250,700
Tax Collector	17,259,100
Clerk of Courts	8,583,900
TOTAL	$52,535,700

Property tax revenue comprises 72% of Unincorporated Area General Fund recurring operating revenue sources and when including the Communication Services revenue sharing from the State the revenue mix jumps to 79%. Continued reduction in state shared communication services tax revenue or worse will significantly impact general governmental services appropriated in this fund.



Like the General Fund, flexibility exists within the Unincorporated Area General Fund if a response to any state shared revenue reduction is required. This response would have an impact to general governmental operating programs and capital transfers.

FY 2021 General Governmental Initiatives:

New general governmental capital improvements/initiatives over the next few years include: planning for and developing the Golden Gate Golf Course and other strategic opportunity land purchases like certain eastern lands property; hardening County facilities in preparation for natural disasters and the related grant match; upgrades to IT infrastructure and the County's various management, financial and accounting software like SAP; constructing and operating amateur sports complex facilities; Big Corkscrew Regional Park phase two capital and operations; Park system aquatic pump and other infrastructure replacement; Sheriff's capital projects including a new evidence facility; school safety officer recurring funding; Greater Naples Fire District Management Contract incentives to achieve Ochopee annexation; David Lawrence Center expansion and operations; Vanderbilt Beach Road extension; Randall curve improvements; bridge rehabilitation and replacement; enhancements in storm-water maintenance service levels as well as capital infrastructure upgrades; Airport system capital grant matches for runway rehabilitation, terminals, etc.; strategic relocation of campus facilities and office operations, including constitutional office operations; new satellite government facilities east of CR 951; contributions to economic development initiatives like innovation zones; and of course constant pressure from unfunded state and federal mandates.

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

Recognizing the County's growing future general governmental asset maintenance responsibility, an additional $5 million will be programmed for FY 2021 bringing the total to $10 million in reserve dollars dedicated to protecting the County's future general governmental hard and soft infrastructure investment. It is envisioned that the reserve amount will grow by $5 million annually with the amount ultimately tied to the Board's tax rate policy. Regular annual deposits to this fund – like the County's vehicle replacement funds- emphasizes the need to isolate dollars for this future asset maintenance obligation knowing the many competing programs, services and initiatives must receive dollars from a limited resource pool.

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. Not lost are the regular contributions to CRA's and innovation zones which grow annually as the tax base increases, assuming no change in tax rates, and these dollars while supporting development and incentives in targeted areas represents reduced dollars to support general governmental services. General Fund and Unincorporated Area General Fund contributions to CRA's and innovation zones for FY 2020 total $7.1 million (an increase of $1.8 million over FY 2019) and 757K (an increase of $284K over FY 2019) respectively and these numbers will grow in FY 2021.

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, a $2.2 million General Fund revenue loss between millage neutral and rolled back will impact mostly capital transfers and recurring operations.
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 current and future asset maintenance responsibility. 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 which were described above under *FY 2021 general governmental initiatives.*
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 reduce existing shared revenue sources like the Communication Services Tax (CST); school safety officer mandates without recurring state funding; further reductions in state health care and social service funding; continued attempts to very restrictively define how impact fee revenue can be used; as well as impacts from any reduction in federal payment in lieu of taxes (PILT) funding.
6. Level of General Fund Ad Valorem operating support extended to constitutional officers and specifically the Sheriff.

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

1. Maintaining strong beginning year General Fund and Unincorporated Area General Fund cash balance in accordance with policy;
2. Policy driven growth in general governmental reserves;
3. Payment on the County's debt service; and
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

While the county-wide tax base has increased for eight (8) consecutive years (trending to nine for FY 2021), maintaining a millage neutral policy position remains the recommended management objective.

The following table provides a history of Countywide and Unincorporated Area taxable values over the past thirteen (13) years (tax year 2007-2019) as well as the budget planning projection for tax year 2020 (FY 2021).

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)	$83,597,615,791	8.4%	$51,754,136,138	9.1%
2018 (FY 2019)	$88,286,266,672	5.6%	$54,781,508,980	5.8%
2019 (FY 2020)	$93,072,190,452	5.4%	$58,089,098,206	6.1%
2020 (FY2021) Planning	$95,864,356,166	3.0%	$59,831,771,152	3.0%

The December 2019 State Ad Valorem Estimating Conference Report was released in January 2020 for the 2020 tax year (FY 2021). The report projects that Collier County certified taxable values on July 1, 2020 will increase 5.8%. This number is aggressive. Staff have been adept over the years at sizing the planning budget around a conservative yet functional taxable value planning number providing for maximum budget flexibility considering that most budget planning is over before the certified taxable value number is received from the Property Appraiser at the end of June.

The taxable value estimate must allow for operational and capital programming needs as well as reserve growth. Budget planning around a 3.0% taxable value increase is realistic and accomplishes the objective of maximum budget planning flexibility. Any positive difference in taxable value above the planning ceiling assuming a resulting increase in ad valorem revenue at millage neutral can be used to strengthen the Board's General Fund and Unincorporated Area General Fund reserves and/or be applied to recurring and new programs, services and initiatives as directed by the Board.

Property tax revenue comprises 67% of the General Fund (001) and 40% of the total net county recurring revenue budget, including fund balances. According to the Urban Institute web site local government general property tax collections as a percentage of all general governmental collections for municipalities total 30% on average.

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 fifteen (15) years are shown in table form below.

Millage Area	**FY 06**	**FY 07**	**FY 08**	**FY 09**	**FY10-FY16**	**FY17-FY20**	**FY 21 Planning**
General Fund	$3.8772	$3.5790	$3.1469	$3.1469	$3.5645	$3.5645	$3.5645
Unincorporated Area General Fund	$.8069	$.8069	$.6912	$.6912	$.7161	$.8069	$.8069

The following table depicts taxable values and levies at various tax base increase scenarios under a millage neutral rate and one scenario which depicts the projected roll back rate at the policy planning scenario. The County Manager is proposing to maintain the General Fund tax rate at millage neutral or $3.5645 per $1,000 of taxable value. Likewise, the Unincorporated Area General Fund tax rate will be recommended at $.8069 with the incremental rate above current millage neutral or $.0908 earmarked to fund the unincorporated area landscape median program. The respective General Fund and Unincorporated Area GF dollar values at the various scenarios are shown below.

	Current Taxable Value Pre VAB	FY 2021 @ 3% applying projected FY 2021 RB Rate	FY 2021 @ 2%	FY 2021 @ 3% Policy Planning Numbers	FY 2021 @ 4%	FY 2021 @ 5%
General Fund	93,072,190,452	95,864,356,166	94,933,634,261	95,864,356,166	96,795,078,070	97,725,799,975
Unincorporated Area GF	58,089,098,206	59,831,771,152	59,250,880,170	59,831,771,152	60,412,662,134	60,993,553,116
	Current Levy					
General Fund	331,755,823	339,532,377	338,390,939	341,708,498	345,026,056	348,343,614
Unincorporated Area GF (Operating)	41,597,603	42,785,700	42,429,555	42,845,531	43,261,507	43,677,483
Unincorporated Area GF (Landscape Cap)	5,274,490	2,686,447	5,379,980	5,432,725	5,485,470	5,538,215
Unincorporated Area GF at $.8069	46,872,093	45,531,978	47,809,535	48,278,256	48,746,977	49,215,698
		3% - Variance applying the projected FY 2021 RB Rate from Current Levy	2% - Variance from Current Levy	3% - Variance from Current Levy	4% - Variance from Current Levy	5% - Variance from Current Levy
General Fund (millage neutral)		7,756,554	6,635,116	9,952,675	13,270,233	16,587,791
Unincorporated Area GF (Operating)		1,247,928	831,952	1,247,928	1,663,904	2,079,880
Unincorporated Area Landscape Median Program at $.0908 millage neutral		(2,588,044)	105,490	158,235	210,980	263,725
Total Unincorporated Area GF		(1,340,115)	937,442	1,406,163	1,874,884	2,343,605

If taxable values fall below the three (3.0) 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 2021 Adopted Budget Strategies to Achieve a Structurally Balanced Budget

The following table highlights certain FY 2021 budget strategies which will be detailed within this document and which the Board will consider as part of Adopted Budget Policies.

1	The County Manager is proposing to submit one FY 2021 millage neutral General Fund (001) operating budget along with service level and related budgetary and millage implications. Designate approximately sixty-six (66) percent of the planned property tax revenue increase *after constitutional transfers and satisfying reserve requirements* to capital initiatives with the remaining thirty-three (33) percent after constitutional transfers and satisfying reserve requirements to cover operations and recurring costs due to any expanded services. Planning for recurring operating cost increases of 1.0% is below the identified CPI increase of 2.0% and will result in department reductions within strategic identified areas to meet this budget guidance.
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 plus the recurring maintenance component to continue funding the median landscape program. The operating millage rate of $.7161 will be used to fund reserves at policy levels and fund recurring and/or any expanded operations as well as an expanding capital transfer component.
3	County Manager agency expanded services will be limited to staffing new Board approved capital facilities or Board directed level of service adjustments. County Manager Agency personal services for FY 20 grew by $8.1 million to $188.7 million or 49.7% of total Collier Co. government personal services. Constitutional budgeted personal services for FY 20 grew by 9.3 million to $191.3 million.
4	Pursue a strategy in FY 2021 which continues to place a premium on current infrastructure replacement/maintenance on a pay as you go basis and integrate capital financing where prudent and economically appropriate pursuant to the Debt Management Policy. No debt will be programmed as part of the adopted budget. Instead, any financing will be part of the amended budget based upon policy directives.
5	Recognizing the County's mounting future general governmental asset maintenance responsibility, the capital reserve fund, created in FY 2020 will grow by $5.0 million to $10.0 million for FY 2021 fencing off dollars in incremental amounts dedicated to protecting the County's future general governmental hard and soft infrastructure investment. Regular annual deposits to this fund emphasizes the need to isolate dollars for this future asset maintenance obligation knowing the many competing programs, services and initiatives must receive dollars from a limited resource pool.

6	Establish budget parameters for enterprise operations which are tied to working capital guidelines established by GFOA; capital obligations from the capital improvement element (CIE); any rate or fee studies stipulations; priority agency wide expansion initiatives; and statutory or ordinance spending limitations. A critical review of operating and capital reserve levels versus operating and capital appropriations will be discussed during County Manager budget deliberations with an expectation that enough recurring resources are devoted to maintaining the utility asset at a high standard while resources are set aside to protect cash and fulfill our fiduciary responsibility to public protection in the event of a natural disaster.
7	Continue General Fund (001) county-wide debt and capital transfers to cover regular special obligation revenue bond debt service; provide loans to the impact fee trust funds to cover the debt service gap due to insufficient impact fee collections; fund park's capital; support airport capital grant matches; fund constitutional officer capital needs; and to help pay for critically needed general governmental facility repairs.
8	The FY 21 budget planning model under a millage neutral tax rate for FY 2021 allocates $15.5 million dollars from the General Fund and Unincorporated Area General Fund toward existing storm-water infrastructure maintenance; pay as you go capital; and operations under the assumption that certain strategic replacement and new storm-water capital projects would be financed as part of a general governmental debt issue. Debt service connected with any debt issue would reduce the pay as you go annual funding component. This represents a $2.0 million increase over FY 2020 for maintenance, capital and operations.
9	The FY 2021 planning model at millage neutral increases the park capital general governmental transfer by $250K to $5.95 million. Debt service on any financing would reduce the planned annual transfer.
10	The FY 2021 budget will be planned for maximum flexibility which will allow for quick adjustments resulting from a softening economy; natural disasters; unanticipated Board policy initiatives; issuance of debt; changing expense timing; and unforeseen unfunded mandates.
11	Establish General Fund contingency reserve at 2.5% of total budgeted appropriation (less capital/debt transfers) and grow the General Fund cash balance reserve by $4,800,000, bringing total General Fund reserves to $56.5 million. 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.
12	Use gas tax revenue to support road capital, maintenance and debt (with an emphasis on debt) consistent with budget planning and statutory requirements; and begin discussion on the strategies to extend local option gas taxes before expiration at calendar year ending 2025.
13	Continue dialog where appropriate on future new sustaining revenue sources intended to diversify the composition of the County's recurring general governmental revenue mix.

Component increases of 1.0% devoted to operations at the department level is planned. This means that department operations for FY 2021, which rely on the General Fund and Unincorporated Area General Fund for dollars, will be restricted to a one percent (1.0%) increase for current programs and services as well as any expanded services.

This includes operating transfers. For FY 2021, the percentage operating adjustment will be translated into a dollar value for each department head to consider as priorities dictate.

Limited general governmental operational expense increases are expected and will be appropriated to account for new programs and services instituted during FY 2020, inflationary adjusted fixed costs and maintaining a competitive compensation package. The December 2018 over December 2019 CPI is 2.0 percent.

A significant portion of remaining budget planning dollars will be applied to Agency wide capital equipment, asset replacement and new capital projects not covered by the local option infrastructure sales tax or impact fees. This will manifest itself primarily through General Fund and Unincorporated Area General Fund capital transfers for general governmental and constitutional facilities, the transportation network, parks, storm-water and heavy equipment.

For FY 2021 planning purposes and discussion in this policy document, the total General Fund Budget is represented to increase by $19,824,500. The following table depicts by category the revenue and expense positive or negative changes connected with the FY 2021 General Fund Planning Budget and the variances from FY 2020. Also shown for comparison are the budget variances by category between FY 2019 and 2020.

Major Revenue Variances:	**Variance between Budget FY 2020 and Planning FY 2021**	**Variance between Budget FY 2019 and Planning FY 2020**
Ad Valorem Taxes	$ 9,952,700	$16,982,200
Sales Tax & Revenue Sharing	0	0
Department Revenues	0	(55,200)
Enterprise and Federal PILT and Cost Allocation	657,200	775,100
Transfer Revenue	(1,688,800)	(10,532,800)
Constitutional Officer's Turnback/Excess Fees	(4,000,000)	0
Interest	500,000	255,000
Carryforward	14,726,000	32,940,300
Less 5% Required Revenue Reserve	(322,600)	(859,100)
Total Revenue Increases	**$19,824,500**	**$39,505,500**
Major Expenditure Variances		
County Manager, Court's and Other General		
Operations	$ 847,900	$ 3,750,900
Operating Transfer's	(546,300)	7,660,100
Capital & Debt Transfer's	7,495,500	7,618,900
Sheriff Transfer	5,968,000	10,703,200
Other Constitutional Transfer's	1,103,900	2,720,700
Reserves	4,955,500	7,051,700
Total Expenditure Increases	**$19,824,500**	**$39,505,500**

Several observations can be made from this table. As we have noted continuously throughout this document, property tax 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 increase in General Fund budgeted carryforward planned at year ending 9/30/20 is directly related to proactive budget planning and management knowing that actual cash and cash equivalents at year ending 9/30/20 must be in the $95 million to $105 million range. The plethora of new general governmental initiatives over the past three years; cash flow requirements connected with grants; constitutional officer statutorily required cash flow; steadily increasing asset replacement and maintenance recurring requirements; reserving dollars for future asset replacement and maintenance; positioning the budget to issue debt if necessary during the budget cycle; and insuring budget flexibility demands that adequate cash be on hand at year end.

The positive carryforward variance of $27.5 million from FY 2020 budget (estimated for YR end 9/30/19) and actual year ending 9/30/19 cash is the result of actual operating revenue received during FY 2019 over forecast of $17.3 million. Operating expenses in FY 2019 were $7.8 million less than forecast and certain capital transfers totaling $2.4 million were not made and remained within the General Fund. The result was a cash and cash equivalents General Fund actual balance of $102 million at year ending 9/30/19. This position allows for flexible operating, capital transfer and reserve appropriation planning leading into FY 2021.

The increase in all General Fund budgeted reserves represents a regular managed increase of $4.9 million over FY 2020 consistent with policy planning standards. Constitutional turn-back revenue is reduced by $4.0 million due to the various facility upgrades and moves planned during FY 2020 and FY 2021. Impact Fee collections remain stable and for FY 2021 only $1.7 million is required from the General Fund to subsidize growth related debt. While not a trend due to the extreme volatility of impact fee collections, increased collections over budget is a contributing factor allowing for a greater level of General Fund capital transfers planned in FY 2021 to Storm-Water and Parks.

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

As a balancing measure, budget management is always ongoing and 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 always recognize our ongoing program, service and capital commitments which have made Collier County a World Class location to "Live, Work and Play", the level of dollars devoted to this laudable goal must be measured against the continued need to maintain prudent reserve levels; protect against any revenue shortfalls; guard against any assault by the state legislature on the ad valorem and general county tax/revenue structure; and fulfill public expectation to maintain/enhance service levels. Maintaining appropriate General Fund cash is always a major focus and by policy the cash position is set at a minimum of 15% of actual expenditures. Given our current General Fund reserve levels and cash flow requirements, it has been prudent to maintain a cash position in this fund of between 20% and 30% of actual expenses and based upon year ending FY 2019 numbers that cash position would be between $95 million and $105 million. The actual General Fund cash and cash equivalents position at year ending 2019 totaled $102,024,000 or 26.4% of actual expenses.

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

County Grant Funding:

County participation in the State and Federal grant process remains aggressive but while the common thinking is that grants are free money, the administrative burden surrounding application; on site post award administration; and single audit compliance notwithstanding the local match requirements and cash flow realities must not be overlooked. Currently, the County has $234.2 million in active grants plus another $33.1 million scheduled to become active. Of the total $267.3 million active or soon to be active grants, the local match requirement totals $49.8 million which must be found through the budget amendment process by the respective Department's from existing appropriations as part of the grant award process.

Local Option Infrastructure Sales Tax:

Local Option Infrastructure Sales Tax Capital Fund (318) provides the accounting structure for managing all projects approved by the Board consistent with Ordinance 2018-21. Currently there are fifteen (15) approved projects budgeted within funded programs including Big Corkscrew Regional Park Phase 1; various hurricane resiliency initiatives; HVAC, roofing and facility upgrades; and DAS shelter improvements. Once a project is approved by the Board, the project accounting structure is set up and budget is moved from reserves to a project budget. To date, a total of $67.1 million in infrastructure sales tax dollars has been received. Under the same statutory spend down rules, interest income on the proceeds received to date total an additional $417,900. It is expected that adequate cash flow will be available and therefore bridge financing will not be likely. The key project which will reduce cash is Vanderbilt Beach Road and due to this projects timing - while cash will be drawn down - bridge financing will likely not be necessary.

Future General Governmental Capital Improvements

<u>Long Term Capital Reserve</u>

Recognizing the County's mounting future general governmental asset maintenance responsibility, a new Reserve Fund was created for FY 2020 fencing off dollars in incremental amounts up to $5 million annually dedicated to protecting the County's future hard and soft general governmental infrastructure investment. Regular annual deposits to this fund emphasizes the need to isolate dollars for future asset maintenance obligation knowing the many competing programs, services and initiatives must receive dollars from a limited resource pool. For FY 2021, another $5.0 million will be allocated bringing the total reserve amount to $10.0 million. Drawing on this reserve will of course require Board action under guidelines developed by OMB and the County Manager.

Capital Asset Management

Each year a significant portion of available annual resources are devoted to the maintenance and management of the County's general governmental infrastructure base. This strategy will continue knowing that non recurring proceeds from the Local Option Infrastructure Sales Tax can only be used for capital construction not maintenance and that the proceeds will be applied to specifically identified and strategic capital projects. The current pay as you go strategy recognizes that satisfying all new planned and programmed capital requirements over the next five (5) years contained within the Capital Improvement Element (CIE) will require some financing component despite the local option infrastructure sales tax. The new general governmental debt component will likely finance identified replacement and new storm-water capital projects; payoff the variable rate commercial paper draw used to purchase the Amateur Sports complex property and other identified Board initiatives that might be ripe for financing like bridges and parks infrastructure. Augmenting the annual cash and carry component of infrastructure maintenance are dollars set aside in a separate reserve fund for future infrastructure replacement and maintenance. 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 and maintain strategic capital improvements.

The following table provides a description of historical budget allocations and what is currently planned in FY 2021 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 Capital**	**Long Term Replacement Capital Reserve**	**Total**
FY 2014	$3,657,700	$4,342,300	$0	$6,841,400	$3,800,000	$0	$8,768,800	$4,730,100	$0	**$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	$0	**$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	$0	**$41,224,000**
FY 2017	$3,073,000	$2,476,900	$0	$10,697,500	$4,000,000	$2,495,700	$8,460,000	$2,525,000	$0	**$33,728,100**
FY 2018	$2,855,200	$3,306,800	$2,000,000	$12,006,000	$4,313,500	$1,100,000	$11,650,400	$1,627,000	$0	**$38,858,900**
FY 2019	$3,479,400	$3,958,700	$216,200	$11,160,800	$645,000	$1,100,000	$8,555,800	$2,500,000	$0	**$31,615,900**
FY 2020	$3,694,200	$1,040,200	$0	$10,591,500	$1,625,600	$3,200,000	$9,388,900	$4,694,400	$5,000,000	**$39,234,800**
FY 2021	$3,655,600	$1,697,200	$0	$15,167,700	$3,926,500	$3,200,000	$9,388,900	$4,694,400	$5,000,000	**$46,730,300**

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

For FY 2021, funding as planned above will of course be subject to Board guidance on millage rates and taxable property values received in July 2020. Factoring out planned Constitutional Officer transfers, countywide capital and debt service expenses contained within the planning model amounts to 18.8% of General Fund planned appropriations for FY 2021.

The General Fund regularly appropriates substantial dollars to new general governmental capital and asset replacement projects benefitting all countywide residents. This level of capital planning which generally translates into approved budget appropriations provides part of the highly desirable budget flexibility which is essential to sound fiscal management. Preserving General Fund cash, maintaining adequate reserves, protecting the County's investment quality credit rating and paying debt service will always take priority as expenditure planning evolves. Generally, these priorities are strategically managed, and allocations are made in harmony with other capital and operating spending appropriations.

Robust capital contributions are also appropriated within the Unincorporated Area General Fund to augment the County's commitment to capital programming.

The following table depicts these planned capital contributions.

Category Unincorp. Area General Fund	Transfer to Parks	Transfer to Roads	Transfer to Storm-Water Capital	Total
FY 2014	$0	$0	$1,300,000	**$1,300,000**
FY 2015	$500,000	$3,860,000	$1,050,000	**$5,410,000**
FY 2016	$500,000	$2,427,300	$4,011,800	**$6,939,100**
FY 2017	$750,000	$3,300,000	$4,172,000	**$8,222,000**
FY 2018	$1,250,000	$4,000,000	$4,267,900	**$9,517,900**
FY 2019	$2,750,000	$4,250,000	$3,000,000	**$10,000,000**
FY 2020	$2,500,000	$4,000,000	$1,300,000	**$7,800,000**
FY 2021	$2,750,000	$3,000,000	$3,125,200	**$8,875,200**

On October 24, 2018, the County issued $62.96 million (Par) in new tourist development tax bonds for purposes of constructing a tournament caliber amateur sports complex. Subsequently, the Board of County Commissioners on July 9, 2019 decided to proceed with the strategic purchase of 165 acres known as the Golden Gate Golf Course for $28 million with intent on evaluating the property for various public and private uses consistent with land use plans which are currently under consideration. New general governmental financing also will be considered to update and replace storm-water infrastructure, rehabilitate bridges, replace and add new park and recreation facilities and other various transportation system improvements.

The County is positioned to add new strategic debt to the portfolio after embarking upon an aggressive debt restructuring program in the summer of 2010 and to date over $422 million in general governmental debt has been refinanced. As a result, the cost of borrowing has been reduced by $1,896,000 annually with this recurring savings applied toward high priority "pay as you go" operating and capital programs. Annual principal and interest payments servicing outstanding general governmental debt totals $37.8 million and represent 2.6% of the County's net adopted FY 2020 budget.

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 $3,655,600 in FY 2021, a 55% decrease.

Countywide 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 General Fund dollars programmed for transfer in, FY 2017, FY 2018, FY 2019, FY 2020 and that planned for FY 2021 for various strategic general governmental capital initiatives. This table does not include debt service transfers or the capital reserve transfer. No projects within the table below are slated for funding from the Local Option Infrastructure Sales Tax.

General Fund Supported Capital Category	FY 17 Budget	FY 18 Budget	FY 19 Budget	FY 20 Budget	FY 21 Budget
Medical Examiner's Bldg Expansion & Repairs	$0	$0	$0	$0	$2,500,000
EMS Station and Ambulance	$0	$2,000,000	$2,100,000	$0	$0
Helicopter	$2,000,000	$1,250,000	$0	$0	$0
800 MHz Public Safety Communication System	$3,525,000	$850,000	$0	$0	$0
Jail & other Sheriff Facility Repairs	$1,059,500	$4,100,000	$1,000,000	$1,000,000	$1,000,000
Voting Machines	$0	$345,000	$350,000	$400,000	$550,000
Clerk's Annex Reorganization and Finance Dept Relocation	$0	$0	$0	$0	$1,200,000
Financial Accounting System (SAP) Upgrade/Replacement	$0	$0	$0	$2,750,000	$2,000,000
Domestic Animal Control Shelter	$0	$500,000	$0	$0	$0
Relocation of Campus Facilities and Office Operations	$0	$0	$0	$0	$540,700
State & Regional Eco Development	$500,000	$0	$0	$0	$0
Library Capital/Books	$450,000	$550,000	$850,000	$950,000	$1,000,000
General Building Maintenance and A/C Repairs not Sales Tax Funded	$4,090,500	$5,250,000	$6,000,000	$5,000,000	$5,000,000
Other General Governmental	$1,072,500	$411,000	$1,077,000	($8,500)	$377,000*
Museum Capital	$200,000	$313,500	$200,000	$200,000	$200,000
Airport Capital (Grant Match)	$300,000	$1,000,000	$445,000	$1,425,600	$1,426,500
General Governmental Vehicle Replacement Supplement	$1,500,000	$1,750,000	$0	$0	$0
Park Capital	$2,495,700	$1,100,000	$1,100,000	$3,200,000	$3,200,000
Sports Complex	$0	$0	$0	$0	$2,300,000
Golden Gate Golf Course	$0	$0	$0	$500,000	$1,000,000
Transportation Capital	$9,935,500	$11,650,400	$8,555,800	$9,388,900	$9,388,900
Storm-water Capital	$2,525,000	$1,627,000	$2,500,000	$4,694,400	$4,694,400
Total	**$29,653,700**	**$32,696,900**	**$24,177,800**	**$29,500,400**	**$36,377,500**

*$377,000 = $277k for minor maintenance for software costs and $100k Coastal Zone Water Quality.

Direct capital maintenance funding for parks and storm-water related system improvements and operations from the General Fund and Unincorporated Area General Fund will increase modestly in FY 2021 under the current planning scenario from that budgeted in FY 2020 by $1,232,700 to $33,821,600. This includes operations maintenance in storm-water Fund (103) Of course, the allocation may change as the FY 2021 budget evolves leading into the June workshop, once taxable values are known, and budget requests are vetted. This allocation includes dollars to maintain the transportation network, dollars for road resurfacing, intersection improvements, bridges, storm-water, and regional/community park system improvements.

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, heavy reliance upon property taxes and the natural hazards which can impact coastal communities.

Use of Gas Taxes and Future Gas Tax Pledged Debt:

Restructuring of the gas tax debt in FY 2012 and FY 2014 at substantially lower interest costs, reduced debt service by $1.0 million and this additional money has been applied to system maintenance and improvements above that transferred from the General Fund and Unincorporated Area General Fund. Gas tax dollars which align with the current gas tax ordinances not devoted to paying debt service will be available annually until the debt expires in 2023 and 2025 unless additional wrapped debt after satisfying the adds bond test is issued for bridge replacement.

One potential strategy for the Board to consider is using the available **constitutional** gas tax bond coverage above the add bonds test of 1.35x and apply this marginal additional coverage to issuing wrapped debt in an amount up to $25 million funding necessary bridge replacement east of SR 29 where the structures are considered functionally obsolete and structurally deficient. Paralleling this approach is Board consideration to extending each **local option** gas tax ordinance in the full 12 cent amount which can be accomplished by local authority. The first 11 cents (commonly referred to as the 1 cent to 5 cents and 1 cent to 6 cents series) can be extended by a simple majority vote of the Board while the 9th cent requires a super majority vote. The County approved three separate ordinances levying the maximum local option gas taxes of 12 cents for purposes of paying debt service and maintaining the roadway system. All three ordinances which extend for twenty (20) years are set to expire on or about December 31, 2025. Gas taxes are the pledged source of repayment on the current Series 2012 and Series 2014 Gas Tax Refunding Bonds.

The strategy behind an early extension before December of 2025 involves capitalizing on low interest rates; greater coverage ratios; and an extended repayment horizon which increases funding capacity. Proceeds would fund identified Transportation system assets deemed "poor" in the inventory as well as capacity improvements not funded by the Local Option Infrastructure Sales Tax. Large scale projects identified in the five (5) year CIE which could be financed include Pine Ridge Road (Livingston to I-75), Randall Curve improvements, Airport Road (Vanderbilt to Immokalee), Goodlette Road (Vanderbilt to Immokalee) and Wilson Boulevard (GG to Immokalee). Interest rates on investment quality bonds remain low especially for Collier County. These large-scale projects and others identified for completion in the five-year CIE between FY 22 and FY 24 have a projected shortfall in recurring funding approaching $40,000,000. Specific project engineering schedules will be reviewed during the succeeding 12-month period and the Finance Committee will continue to refine the concept and strategy and further information will be forthcoming.

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. Beginning in FY 2019, no general governmental dollars were transferred to the Gas Tax Fund (313). Instead, general governmental dollars will be transferred to Capital Fund (310) supporting the maintenance and improvement of the transportation network. This change was made to specifically track use of gas tax proceeds in accordance with state statutes without any comingling of general governmental money.

Gas taxes collected in FY 2019 from all sources in totaled $22.3 million. When you consider the payment of annual debt service ($13.1M), the remaining $9.2 million is programmed for construction and maintenance of the transportation network consistent with strict statutory guidelines.

Augmenting transportation network improvements budgeted in Gas Tax Fund (313) are regular general governmental transfers to Transportation Capital Fund (310). The General Fund capital transfer planned for FY 2021 to Fund (310) is $9,388,900 which represents no change from FY 2020. The Unincorporated Area General Fund transfer planned to Fund (310) for FY 2021 is $3,000,000 a decrease of $1,000,000 from FY 2020. These dollars support maintenance on the roadway network including intersection improvements, resurfacing, sidewalks, pathways, asset management and traffic control software, and other critical maintenance needs which are not eligible for gas tax funding by statute. Capital recurring transfer dollars for FY 2021 has placed a greater emphasis on storm-water and parks maintenance and replacement.

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.

Safe School Officer's and School Guardians:

The program of placing a school safety officer in some Collier County Schools has been in place for decades and this program has been elevated to greater public attention since the Parkland shooting and State passage of SB 7026 which requires the placement of safe school officers or public guardians at each school facility within the District, including charter schools. It is important to note that legal responsibility to comply with the requirements of SB 7026, including funding rests with the Collier County School District. Collier County is compliant with the state law and the priority is always continued compliance through enhanced protocols, strategies and personnel.

Current Sheriff's Youth Relations Bureau funding which is approaching $10 million annually includes a sworn deputy in each school district and charter school building. The County receives from the School District pass through dollars remitted by the state and this amount has totaled approximately $1.8 million annually and is dependent upon state appropriation each year.

General State Legislative Update

Governor DeSantis' total budget recommendation for FY 2021 is $91.4 billion, $35 billion of which is general revenue. General revenue funds available for FY 2021 increased 4.3% over the previous year. Florida's total reserves are $5.6 billion, more than 6% of the total recommended budget.

In mid-January, the State's Revenue Estimating Conference delivered revised estimates for State general revenue providing lawmakers with an additional $306 million for the current fiscal year, and $86 million for the 2021 budget cycle, mostly driven by increased corporate income tax collections. However, the Conference also warned that long-term state and national economic forecasts were weaker in several key respects and that international political uncertainty could affect future forecasts.

During the 2020 Regular Session, Collier County submitted five State Appropriation Project Requests and, by Board resolution for the City of Naples, formally endorsed one additional request, for a total of $12.5 million in state funding requests. With a 50% local funding commitment on all project requests, total investments in Collier County, should all projects be approved, would be $25 million.

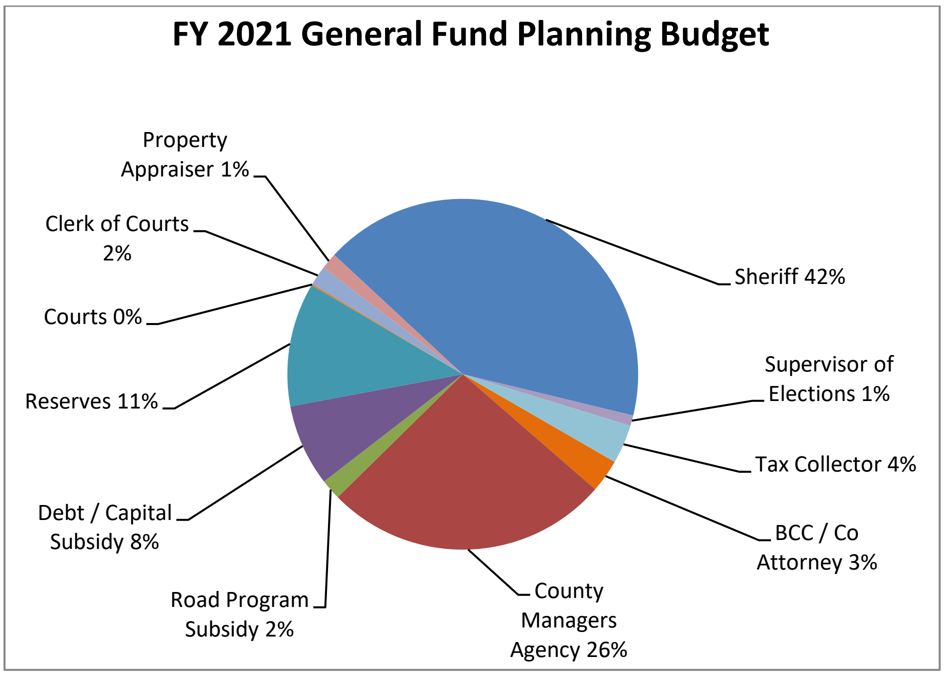
The County's lobbying team continues to monitor and address any legislation containing unfunded mandates, preemption of local regulation to the State, government accountability and transparency, and any initiative that may impact local tax collections.

Adopted Budget Policy: Develop a General Fund (001) operating budget at the millage neutral rate of $3.5645 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 and strategic capital initiatives.

Approve guidance for the Unincorporated Area General Fund (111) which includes maintaining the millage rate at $.8069.

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 planned transfers to the Constitutional Agencies in FY 2021 not including the Tax Collector account for 48% 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 $10,033,400 and $11,718,900 respectively across all funds for years ending FY 2018 and FY 2019 respectively. For year ending 2019, actual collections exceeded forecast in the General Fund by $3.5 million. The General Fund receives on average 85% to 90% of all turn back revenue. Turn back revenue from the Tax Collector accounted for 81% of all fund turn back revenue in FY 2018 and 75% of all fund turn back revenue in FY 2019.

This level of turn-back revenue is not expected nor is planned at year ending FY 2020 and FY 2021 due to facility upgrades and office reconfigurations by the Tax Collector and Clerk of Courts.

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 twenty-one (21) MSTU's and dependent districts active under Collier County's taxing umbrella. Of these, fourteen (14) have advisory boards which provide recommendations to the Board of County Commissioners.

Adopted Budget Policy: For FY 2021, it is suggested that those existing MSTU'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 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 2021, revenue centric budget parameters for enterprise operations will be tied to working capital guidelines established by GFOA; capital obligations from the capital improvement element (CIE); any rate or fee studies stipulations; priority agency wide expansion initiatives; and statutory or ordinance spending limitations. A critical review of operating and capital reserve levels versus operating and capital appropriations will be discussed during County Manager budget deliberations with an expectation that enough recurring resources are devoted to maintaining the utility asset at a high standard while resources are set aside to protect cash and fulfill our fiduciary responsibility to public protection in the event of a natural disaster.

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

Certain cost centers or functions have a net cost to the General Fund (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

For FY 2021, 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 new capital facility openings and/or Board directed service level adjustments. All budget to budget expanded positions and programs will be reviewed by the County Manager and his recommendations will be presented as part of FY 2021 budget workshop discussions in June.

Adopted Budget Policy: Expanded position requests will be limited to Board approved capital facility openings and/or Board approved service level adjustments with final County Manager recommendations presented at the June budget workshop.

Compensation Administration

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

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 2018 to December 2019 is 2.0% 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 2021 with the recommended structure submitted for Board consideration at the June Workshop meeting.

For FY 2021, the County Manager is recommending the greater of $1,200 or a two percent (2%) pay adjustment applied to all ranges. This recommended COLA adjustment is estimated at $3.5 million for the County Manager's Agency.

In addition, a .8% or $1,000,000 allocation is programmed to strengthen certain targeted lower classification pay grades where a market imbalance exists. Pay plan adjustments to the compensation plan was last completed in FY 2020 at a cost of $538,000.

The recommended compensation adjustment and pay plan maintenance allocation is estimated to total $4.5 million for the County Manager's Agency.

Adopted Budget Policy: Appropriate the greater of $1,200 or a 2% base wage increase to all classifications *plus* a .8% or $1,000,000 pay plan maintenance component to strengthen certain targeted lower classification pay grades where a market imbalance exists. In previous years, the Board of County Commissioners has authorized adjustments to the compensation plan as shown within the following table.

Program Component	FY 10 – FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
General Wage Adjustment	0.00%	2.00%	$1,000	2.00% / $1,000	1.50% / $1,000	3.00%	2.90%	2.00%	$1,200 represents average of 2.2%	Greater of $1,200 or 2.00%
Awards Program	0.00%	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%	1.50%	0.00%	0.60%	0.00%	0.50%	0.80%
Total	**0.00%**	**2.00%**	**$1,000**	**2.00%**	**3.00%**	**3.00%**	**3.50%**	**2.00%**	**Average of 2.7%**	**Average of 2.8%**

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 eight (8) plan years, plan reserves exceed statutory minimums. **Therefore, it is recommended that there be no (0%) rate increase for FY 2021.** 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.

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 ten (10) years, participation has been consistently more than 90% for those meeting the necessary qualifiers. This rate far exceeds those of large employers nationwide.

With the objective of mitigating 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, the FY 2020 savings through reduced General Fund constitutional transfers would have totaled $2.02 million as depicted below.

2020 Health Plan Contributions by Agency

Agency	Average EE Rate/Month	Average ER Rate/Month	Total Rate per Month	EE %	ER %	EE's	Sgl	Fam	2019 Savings if all Agencies were @ 80/20%
BCC	$ 271.00	$ 1,084.00	$ 1,355.00	20.00%	80.00%	1776	831	945	$ -
SOE	$ 271.00	$ 1,084.00	$ 1,355.00	20.00%	80.00%	19	8	11	$ -
COC	$ 271.00	$ 1,084.00	$ 1,355.00	20.00%	80.00%	160	76	84	$ -
PA	$ 20.36	$ 1,334.64	$ 1,355.00	1.50%	98.50%	55	15	40	$ 815,820.00
TC	$ 40.83	$ 1,314.17	$ 1,355.00	3.01%	96.99%	150	55	95	$ 430,800.00
CCSO	$ 116.61	$ 984.88	$ 1,101.49	10.59%	89.41%	1127	380	747	$ 775,536.00
Total						**3287**	**1365**	**1922**	**$ 2,022,156.00**

Adopted Budget Policy: In FY 2021, 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 **80% employer share and 20% employee share be uniform across all agencies, including the Constitutional Officers.** This policy treats all county employees equally in terms of cost sharing for health insurance premiums.

Retirement Rates

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

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 2021, 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 County in April 2018 made a commercial paper draw of $12 million to purchase property on which to construct the Amateur Sports Complex. Subsequently, $62.9 million in new Series 2018 Tourist Tax debt to finance construction of Amateur Sports Complex facilities was issued in October 2018. In July 2019, the Board decided to proceed with the strategic purchase of 165 acres known as the Golden Gate Golf Course for $28 million with the intent on evaluating the property for various public and private uses consistent with land use plans currently under consideration.

Prior to the financing activity described above, 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 at the time 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 a good 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. Further, the low interest rate environment, the County's investment quality credit rating, a revenue to debt service ratio well below the self-imposed cap of 13%, and not raising the millage rate to pay debt service for world class capital amenities provide further rationale for issuing strategic debt. Total general governmental and enterprise principal debt outstanding dropped $332 million over the ten (10) year period from a high of $788 million in FY 2008 prior to the recent new debt issues of FY 2018.

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

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

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

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

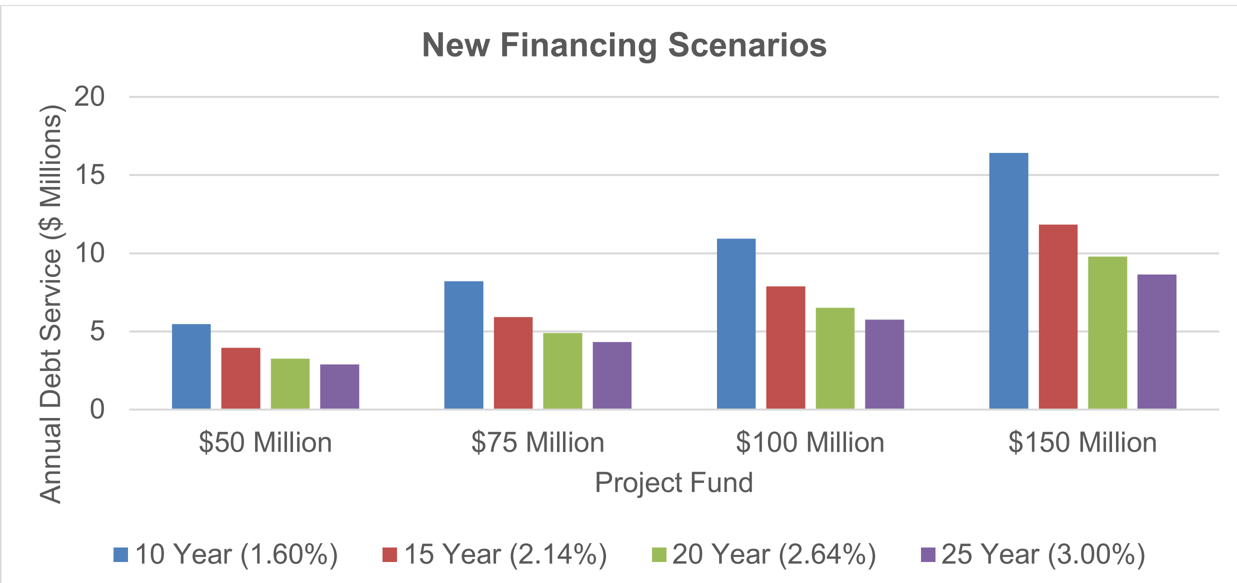
A decision to issue some component of short or long-term debt is based upon level of service standards, the timing of any capital improvement, ability to execute, the credit market environment, and cost of capital. The County had pursued a strategy in recent history (FY 2008 and prior years) by incurring 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 low variable interest rate – currently at 2.45% and funds can be accessed within about 30-45 days of approving the authorizing resolution.

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

<u>*New Debt Strategy:*</u> Passage of the Local Option Infrastructure Sales Tax does not eliminate the need to finance future infrastructure needs. At the very least, new debt would be considered as projects are engineered in the following circumstances;

- Potential financing of an estimated $60 million to fund substantial maintenance of the existing storm-water network as well as prudent expansion of the system in conjunction with enhanced general governmental industry standard maintenance funding which the Board may determine.
- Park system infrastructure financing up to $20 million for pool, similar aquatic and other infrastructure improvements.
- Replacement of eleven bridges totaling $30 million in the area east of SR 29.
- Connected with the above financings, repay the $12 million variable rate commercial paper draw used to purchase the amateur sports complex property.

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



Adopted Budget Policy: It is not suggested that any financing strategy be built into the FY 2021 adopted budget. It is recommended that the Finance Committee continue to work with the County's various agency department stakeholders regarding project scope, timing and execution patterns and with our debt issuance team to develop a strategy and be ready to pursue a debt issuance plan based upon Board direction.

Storm Water Management Funding

The budget planning model under a millage neutral tax rate for FY 2021 allocates $15.5 million dollars from the General Fund and Unincorporated Area General Fund toward existing storm-water infrastructure maintenance and replacement ($7.8 million) and industry standard operations ($7.7 million) with the assumption that replacement and new storm-water capital projects would be financed as part of a larger general governmental debt issue. This is a $2.0 million increase for maintenance and operations over the base FY 2020 funding scenario which was based upon certain industry standards for system maintenance.

Adopted Budget Policy: For FY 2021 continue general governmental funding for industry standard storm-water maintenance and operations and capital transfers from the General Fund and Unincorporated Area General Fund with the amount of such funding above the FY 2020 base of $13.5 million determined by Board policy. Any capital financing for new and replacement infrastructure will reduce the planned capital transfer by the amount of debt service.

General Fund General Capital/ Debt Contribution

The following table identifies how General Governmental County Wide Capital contributions appropriated within the General Fund were programmed in FY 2020 and planned in FY 2021. General Fund transfers to Storm-Water and Transportation System improvements are accounted for separately and not included in this General Capital programming scenario.

General Appropriation	FY 2020	FY 2021
Non-Growth Debt Service	$3,694,200	$3,655,600
Impact Fee Trust Fund Loans	$1,040,200	$1,697,200
General Governmental Capital Projects	$10,591,500	$15,167,700
Park's, Museums, and Airport Transfers	$4,825,600	$7,126,500
Future Capital Replacement Reserve	$5,000,000	$5,000,000
Total	**$25,151,500**	**$32,647,000**

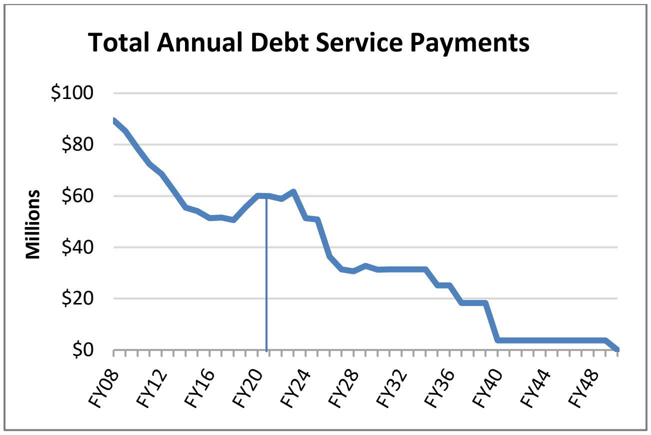
Planned contributions in FY 2021 represent a significant increase from FY 2020 and this allocation may change depending upon Board adopted millage rate policy; changes in the tax base; Board adopted operational service level changes; or other reprioritized initiatives.

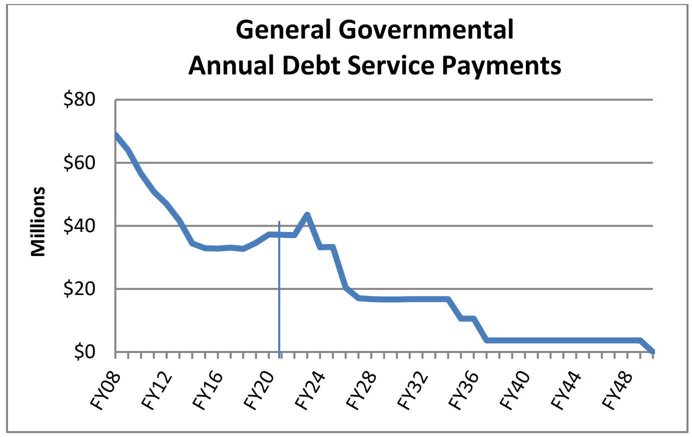
Total loans outstanding to the impact fee trust funds (i.e. EMS, Libraries, Corrections, Law Enforcement and General Government Facilities) from the General Fund since inception (FY 2005) through FY 2020 totals $102.8 million. Going forward, the level of General Fund loan subsidy is heavily dependent upon the level of impact fee collections and any new eligible growth-related general governmental capital projects planned in the areas identified above in this paragraph which are not paid by the Local Option Infrastructure Sales Tax. Current general governmental growth debt which is paid predominately from impact fees expires in FY 2036.

General Fund loans to the Airports began on or about FY 1995 and to date various operational and capital subsidies total $26.4 million. Recent loans have not been necessary to subsidize operations but to support capital grant matches.

Payment of debt is always a top priority. Under the FY 2021 budget planning scenario dollars allocated will cover all revenue bond debt service.

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 4.2% of the County's net adopted FY 2020 budget. General governmental debt outstanding represents 2.6% of the County's net adopted FY 2020 budget. The following charts depicts annual debt service payments servicing all debt and annual debt service connected with our general governmental credit.





Collier County's total un-audited principal debt outstanding at 9/30/19 totals $598.7 million of which $308 million relates to infrastructure improvements driven by population growth and related service demands. The County's principal debt is $198 million below the FY 2008 figure of $788 million. All outstanding debt (general governmental and enterprise) at 9/30/19 includes $12.0 million in Commercial Paper drawn to pay for property on which the Amateur Sports Complex will be constructed; Tourist Development Tax (TDT) financing at par of $62.9 million to construct the Amateur Sports Complex; $28 million to purchase the 165-acre Golden Gate Golf Course property; and $76.2 million of Public Utilities Debt for system northeast area system improvements.

Adopted Budget Policy: Continue General Fund County Wide Capital contribution 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.

<u>General Governmental, Enterprise Fund, and Other Fund Reserve Policies</u>

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

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

It is essential for governments to maintain adequate levels of fund balance to mitigate current and future risks such as revenue shortfalls, natural disasters and unanticipated expenditures. As such, budgeted reserves serve to protect 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
2021	$56,488,400	$2,292,600	12.8%	3.7%
2020	$51,532,900	$2,340,600	12.1%	3.9%
2019	$44,481,200	$2,982,300	11.4%	5.3%
2018	$40,450,300	$3,255,000	10.8%	5.5%
2017	$33,899,700	$2,432,900	9.6%	4.8%
2016	$27,890,800	$1,905,600	8.4%	4.4%
2015	$26,670,700	$2,220,100	8.5%	5.6%
2014	$26,217,400	$1,715,000	8.9%	4.5%
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 $95 to $105 million, budgeted reserves should be a minimum of $50 million. Otherwise, expense side management of the budget in the form of capital transfer reductions and or reductions in operating transfers may become necessary.

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

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

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 2020 budget numbers in the $66M-$68M range.

Collier County has never attained a General Fund budgeted reserve position higher than the FY 2021 proposed position of $56.5 million 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 2021 proposed planning budget, the reserve floor and ceiling would total $33.9 million and $67.8 million respectively. Planned reserves within the General Fund fall within this range.

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

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 $1.53 million with a ceiling or maximum of no more than one month's expenses which for planning FY 2021 is approximately $5.12 million.

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

Reserves Policy Position for the Motor Pool Replacement Family of Funds (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 future cost of the vehicle divided by the useful life of the vehicle.

In FY 2016, the Motor Pool Replacement Fund was established for the various General Governmental Funds (523), Water/Sewer District (409), and Solid Waste (472).

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

Reserves within the four Motor Pool Replacement Funds maintain a current 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 $1.4 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 2020 operating expenses would range from $20.6 million to $41.1 million. FY 2020 Working Capital resources total $26 million representing fifty-seven (57) days of reserves.

Replenishment of unrestricted reserves that may drop below the targeted floor (45 days) or $20.6 million using FY 2020 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 disaster debris mission) and unrestricted operating and capital reserves. The department is responsible for the right of way disaster debris removal on County roads and

monitoring 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 $65 million) event in the 4th quarter of 2017.

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

Further, due to the magnitude of the impact that Collier County experienced in the Right of Way debris mission following 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 2020 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 2020 operating expenses would range from $6.2 million to $12.3 million. FY 2020 unrestricted reserves for the Solid and Hazardous Waste Management Enterprise Funds total $6.6 million or forty-eight (48) days of reserves.

Replenishment of unrestricted reserves that drop below the targeted floor (45 days) or $6.2M 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 2020 budgeted charges for services would total approximately $5.2 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 cash flow for the Internal Service Funds, using a benchmark of 90 days of the prior year's working capital.

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

Collier County is self-insured and is subject to mandatory reserves for losses. Each year an actuarial study is completed for each of the County's self-insurance funds and the present value of all outstanding losses is determined. 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 adequate to meet future claim payments. The Board of County Commissioners has traditionally adopted, as contained within budget policy, a 75% confidence interval.

The Group Life and Health Insurance Fund within Risk Management have additional statutory reserve requirements that are calculated each year and added to the restricted reserve category.

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, 2020 by Resolution
FY 2021 June Budget Workshops	(BCC Agency/Courts and Constitutional Officers Budget Workshops) Thursday, June 18 and if necessary, Friday June 19, 2020 FAC Conference is June 9 – June 12, 2020 in Orlando/ Orange County.
Adoption of Tentative Maximum FY 2021 Millage Rates	July 14, 2020 (Tuesday)
Submission of Tentative FY 2021 Budget to the Board	Friday July 17, 2020.
Establish Public Hearing Dates (see note)	September 3, 2020 (Thursday at 5:05 pm) September 17, 2020 (Thursday at 5:05 pm)

Note: The School Board has priority in establishing public hearing dates for budgets. The School Board's final budget hearing is tentatively scheduled for Tuesday September 8, 2020.

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, 2020 budget submittal dates for the Sheriff, the Supervisor of Elections and the Clerk.

Comparative Budget Data

Provide comparative budget data using FY 2020 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

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

Proper General Fund carryforward is necessary to meet significant constitutional transfer, public safety and priority operating needs for October and November, prior to the receipt of any significant ad valorem tax revenue (ad valorem taxes represent 70.0% of the total FY 2020 General Fund adopted recurring operating revenues).

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

The recommended level of year ending cash in the General Fund should be a minimum of 15% of actual expenditures. At year ending September 30, 2019, actual General Fund cash and cash equivalents balance totaled $102,024,000, an increase of $27,406,700 over year ending FY 2018. The FY 2019 year ending cash position represents approximately 26.4% of actual FY 2019 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 2021. 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 2020, 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 2020 with an additional .5% added to augment Facilities operations. This method and percentage will continue for FY 2021. One and three-quarter percent (1.75%) of Solid Waste tipping fees were applied in FY 2020 and this method and percentage is planned in FY 2021. This method is a common approach used by local governments and is generally consistent with fees paid by private utilities operating in a local government jurisdiction.

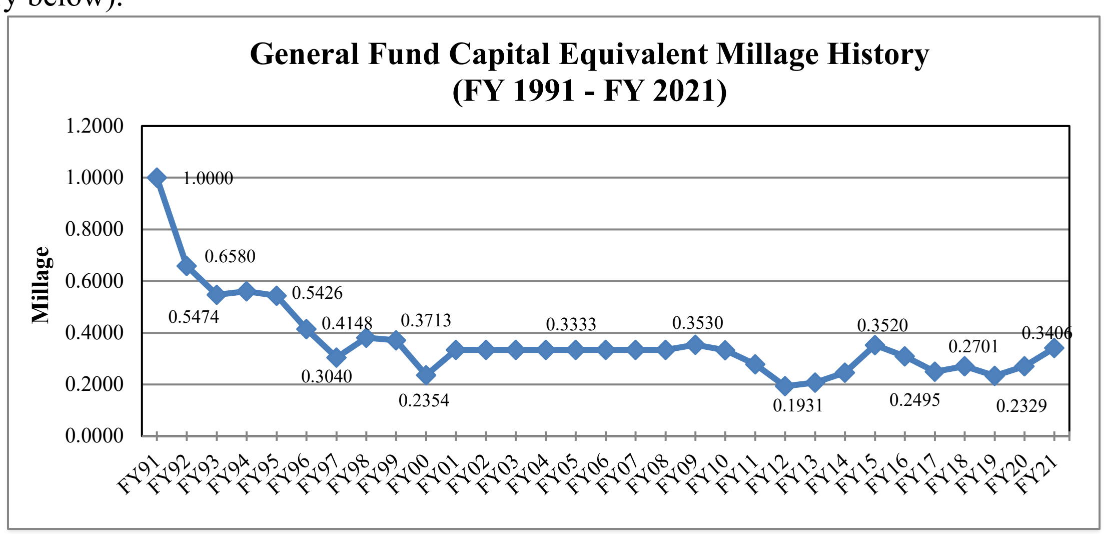
Prior to FY 2013, PILT was based upon the prior year General Fund millage rate multiplied by the prior year gross (non-depreciated) value of property, plant, and equipment.

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

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

The Collier County Debt Management Policy provides that debt restructuring for economic savings will be undertaken when a present value savings of at least 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 General Fund equivalent millage dedicated to ongoing regular general governmental capital projects, debt service and impact fee fund debt loans from the General Fund. The target rate is 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 2006 and the value of all loans made now exceed $102 million.

<u>Capital Improvement Program (CIP) Policies:</u> 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 2021 - FY 2023)

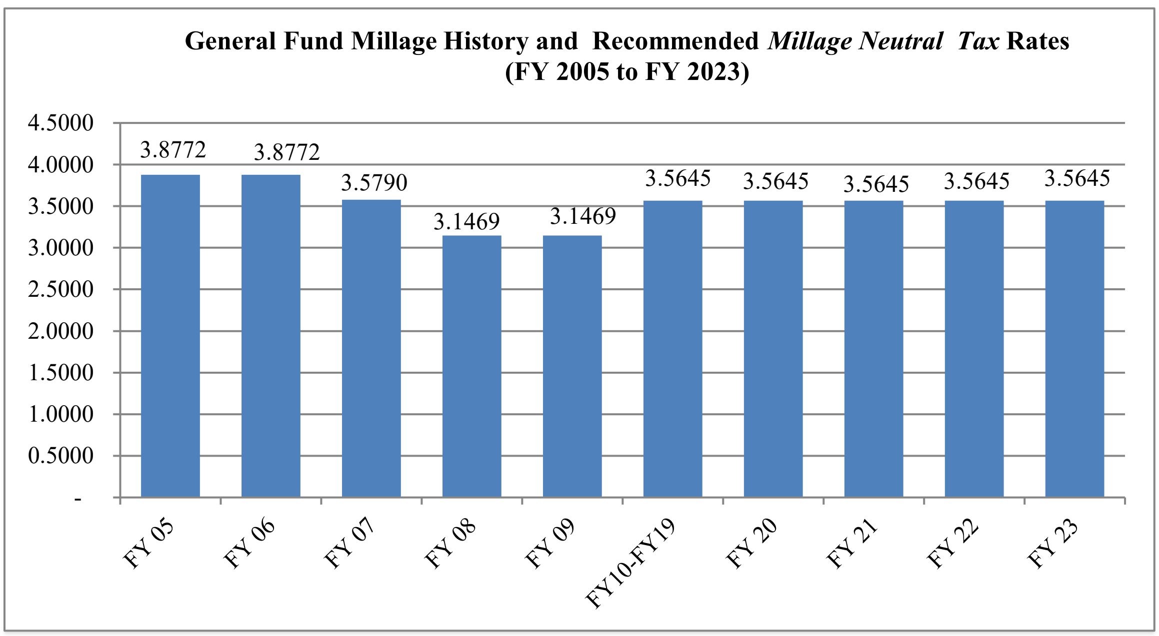
OMB staff prepares annually a three-year projection of General Fund and MSTD General Fund revenues and expenditures to improve financial planning and to understand the long-term impact of funding decisions. These projections are complimented by a **trend analysis** of revenues and expenses which conclude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

As a point of reference, the following graph plots the historical General Fund millage rate, as well as tax rates for FY 2021 through FY 2023. 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 modestly in the future.



While the County Manager will be recommending a General Fund ***millage neutral base operating budget*** in FY 2021 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 current and future asset maintenance responsibility as well as significant new initiatives and devote additional future dollars which may be generated from an increasing taxable value base to fund these recurring initiatives.

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 capital maintenance in numerous areas. We have addressed our future heavy equipment, public safety ambulance and general vehicle replacement needs. But there remains substantial asset maintenance and replacement needs, not the least of which is general governmental building maintenance, park's system infrastructure, constitutional officer capital requirements and other general governmental capital functions like, information technology upgrades, accounting system replacement, and other soft infrastructure needs. Then there is the issue of maintaining existing storm-water infrastructure which for FY 21 will be funded at an increased level through general governmental appropriations.

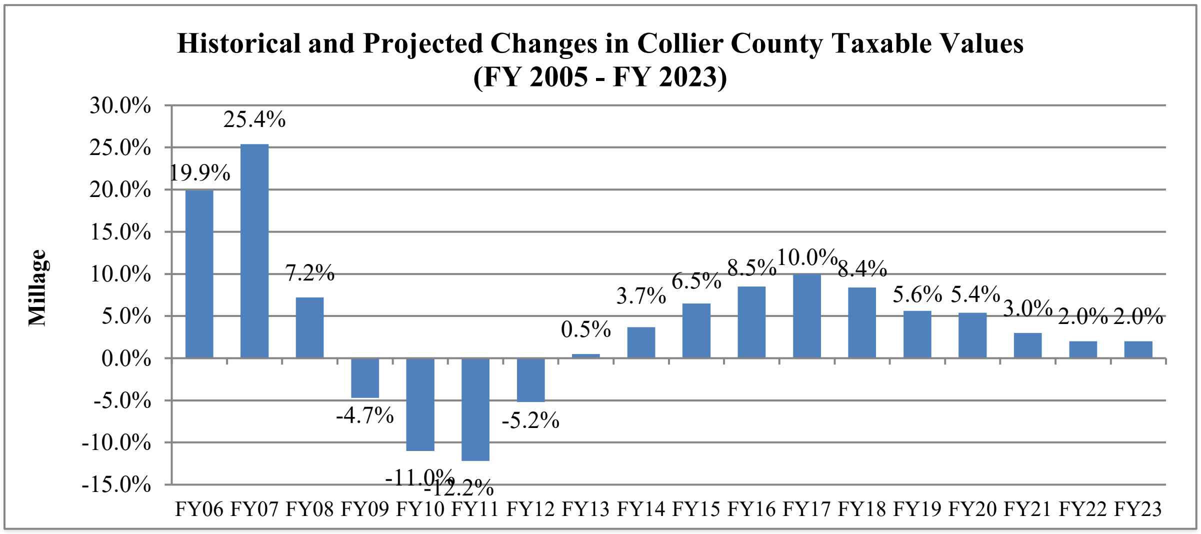
The following tables depict the respective *millage neutral* tax rates for FY 2021, 2022 and 2023 as well as additional ad valorem dollars which could be raised under certain increasing tax base assumptions.

General Fund	FY 20 Adopted and Recommended *Operating Millage Neutral* Millage Rates	Additional Budgeted Ad Valorem Revenue Projection Each Year
FY 20	3.5645	
FY 21	3.5645	$9,952,700 @ 3.0% TV Increase
FY 22	3.5645	$6,834,200 @ 2.0% TV Increase
FY 23	3.5645	$6,970,800 @ 2.0% TV Increase

For Collier County to continue providing high quality best value services; continue to address infrastructure maintenance and replacement; replace public safety and general governmental equipment and vehicles and; maintain its reserve and cash positions pursuant to policy and representative of an investment quality credit rated organization, it is prudent to capture those additional ad valorem dollars generated by an increasing taxable base. New governmental initiatives which always seem to emerge each fiscal year also provide rationale to capture property tax revenue from an increasing base year over year.

Failure to capture additional property tax dollars resulting from increasing taxable values will jeopardize service levels and make it difficult to maintain the extraordinary world class infrastructure investment which this community enjoys. As an example, in FY 2021, the projected rolled back rate within the General Fund is $3.5418 which would raise $2,176,100 less than millage neutral or levying the current planning operating rate of $3.5645. While the FY 2021 estimated rolled back rate would produce $7,776,500 more than the FY 2020 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. Further, the policy temptation to continue with levying the rolled back rate beyond year 1 becomes even more problematic in an economic downturn when taxable value drops and the rolled back rate increases.

The projected millage rates assume that the tax base will increase 3.0% in FY 2021 (the 2020 tax year). Taxable value in FY 2022 is projected to also increase 2%. The Property Appraiser will provide preliminary taxable value estimates for FY 2021 on June 1, 2020. Actual and assumed changes in County taxable values are as follows:



<u>Notes to Graph</u> - 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 2021 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 – 2.0% COLA adjustment across all pay classifications plus a .8% pay plan maintenance component.
- 2% attrition rate on regular salaries assumed in the County Manager's Agency.
- Motor pool replacement dollars for routine ambulance replacement on schedule.
- $5,000,000 for general County Manager Agency building maintenance.
- $5,000,000 allocation toward long-term general governmental asset maintenance reserve
- New voting machines totaling $550,000.
- Continued Social Service and Mental Health Funding.
- General Fund loans to the impact fee trust funds planned at $1,697,200 which while low compared to previous years should not be viewed as a trend due to the volatility of impact fees.
- Storm-water maintenance, operations and capital transfers planned at $15.5 million; an increase of $2 million over FY 2020.
- General Fund transfer dollars supporting road construction and maintenance funded at $9,388,900 which is flat from the FY 2020 adopted budget.
- General Fund support of EMS Operations established at $18,798,800 – up 4.3% from last year reflecting staffing of new facilities planned for opening.
- 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 grant match funding totaling $1,426,500.
- Continued corporate IT capital funding.

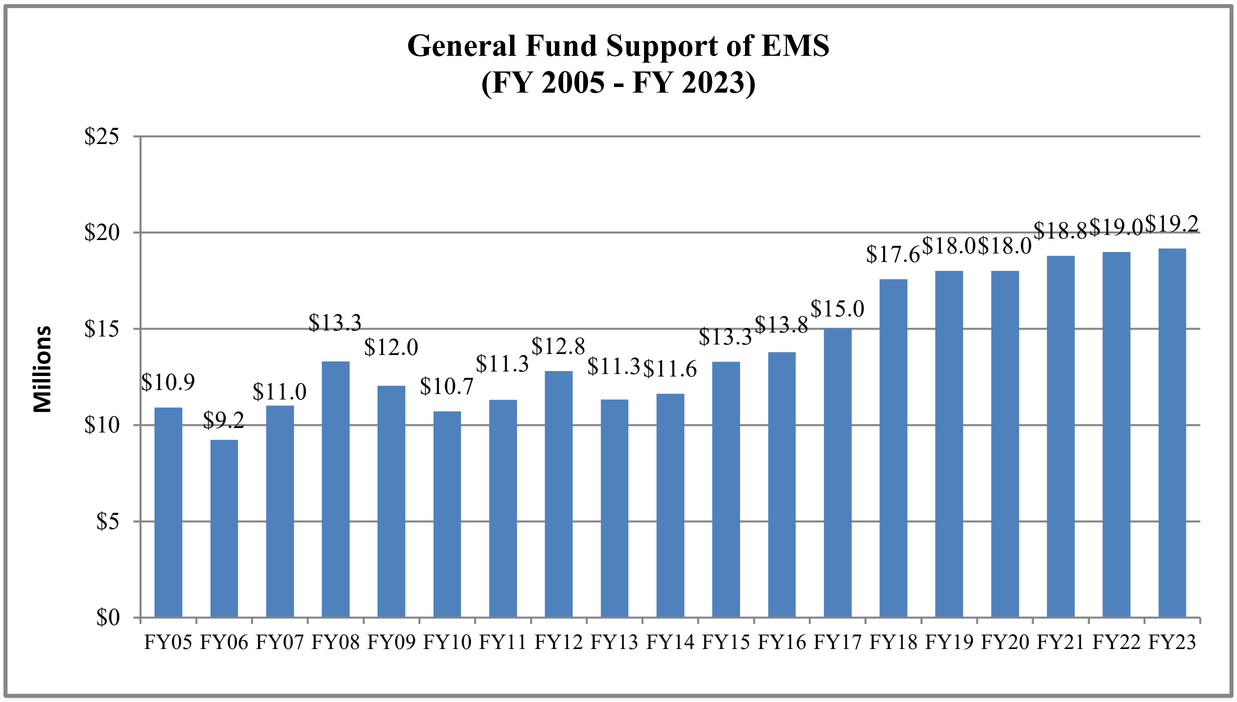
- Cash and carry deposit of an additional $2 million bringing the total to $4.7 million as the process of evaluating a new accounting system continues.
- Building maintenance funding for Sheriff Facilities totaling $1,000,000.
- Mandates to be absorbed if possible, within operating budgets, including Constitutional Officers.

Significant Revenue Assumptions

- FY 2020 ad valorem tax revenue forecast is 96% of actual taxes levied. FY 2020 forecast totals $316,908,600 – a reduction of $14,847,200 from the adopted budget. Collections are within the 5% statutorily budgeted revenue reserve.
- A millage neutral position for FY 2021 produces a levy of $341,708,500.
- Sales tax revenue sharing forecast for FY 2020 is projected conservatively at $41,000,000 which represents no change from the adopted budget. FY 2021 budgeted revenue is also planned at $41,000,000 which is no change from the adopted 2020 budget. Conservative revenue estimates are essential to achieving the required beginning cash balance position.
- State Revenue Sharing forecast for FY 2020 at $11,000,000 is also projected conservatively at budget. FY 2021 budgeted revenue is planned at $11,000,000 which is no increase over the adopted 2020 budget.
- Property taxes, sales taxes and revenue sharing deposited in the General Fund represent 93% of all recurring operating revenue which excludes carry-forward (fund balance).
- Constitutional Officer turn-back is a conservative budget estimate and for FY 2021 $2,000,000 is planned. This number is low and reflects various facility moves and upgrades by the Tax Collector and Clerk of Courts. Turnback to the General Fund at year ending 2019 totaled $10,120,200 - $3,520,200 over forecast.
- Measures to maintain beginning cash balance at between $95 million and $105 million is necessary and includes continued growth in budgeted reserves coupled with any combination of revenue receipts over budget and expense side budget management.
- Interest income for FY 2021 is planned to increase by $500,000 to $1,500,000 indicative of consistently higher investment returns on cash balances.

EMS Fund

EMS Operations Fund (490) is another fund that impacts the General Fund. Typically, this ad valorem support in recent years accounted for 50% to 55% of total EMS operating revenues. The percentage varies given the instability in fee revenue collections and any Board policy directives. The General Fund subsidy planned for FY 2021 is up $780,200 reflecting an additional six (6) FTE's required to staff new facilities. 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

Board approved budgets have recently supplemented funding for the transportation network with general governmental dollars transferred from the General Fund to Transportation Capital Fund (310). This transfer is sized annually based upon the anticipated growth in taxable value and the recurring need to fund other strategic capital commitments. Over the past four (4) fiscal years the actual transfer has averaged $7.8 million annually. With taxable values projected to increase modestly for FY 2021, the General Fund contribution to road construction and maintenance is planned to total $9.4 million. This transfer is subject to change based upon budget year execution patterns.

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

FY 2022

A ***millage neutral*** operating budget in FY 2022 with an increase of 2% in taxable value can continue to allow for priority funding of public safety capital initiatives and general governmental capital programming referenced in this document with proper budget management. This of course is in addition to the many new initiatives and program enhancements, Board directed or otherwise required to support an expanding service base, all of which compete for limited general governmental resources.

In addition to annual inflationary cost increases, the following items were included in the FY 2022 budget analysis:

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

In summary, the FY 2022 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 2022 without proper budgeted beginning fund balance would likely result in a $6.9 million budget planning deficit as depicted in the trend analysis below. Of course, regular annual budget management to eliminate any actual equity reduction would occur in real time.

FY 2023

A ***millage neutral*** operating budget in FY 2023 coupled with a projected 2% taxable value increase can allow for continued funding of 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 appropriate beginning fund balance.

The following items were included in the FY 2023 budget analysis:

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

The General Fund Trend Analysis model shown below is intended to offer a picture of very conservative revenue projections against operating and capital expenses which will likely be faced in the out years. Of course, financial staff manages the budget in real time and will mitigate unplanned equity reductions. But, imagine a scenario where major revenue sources like 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

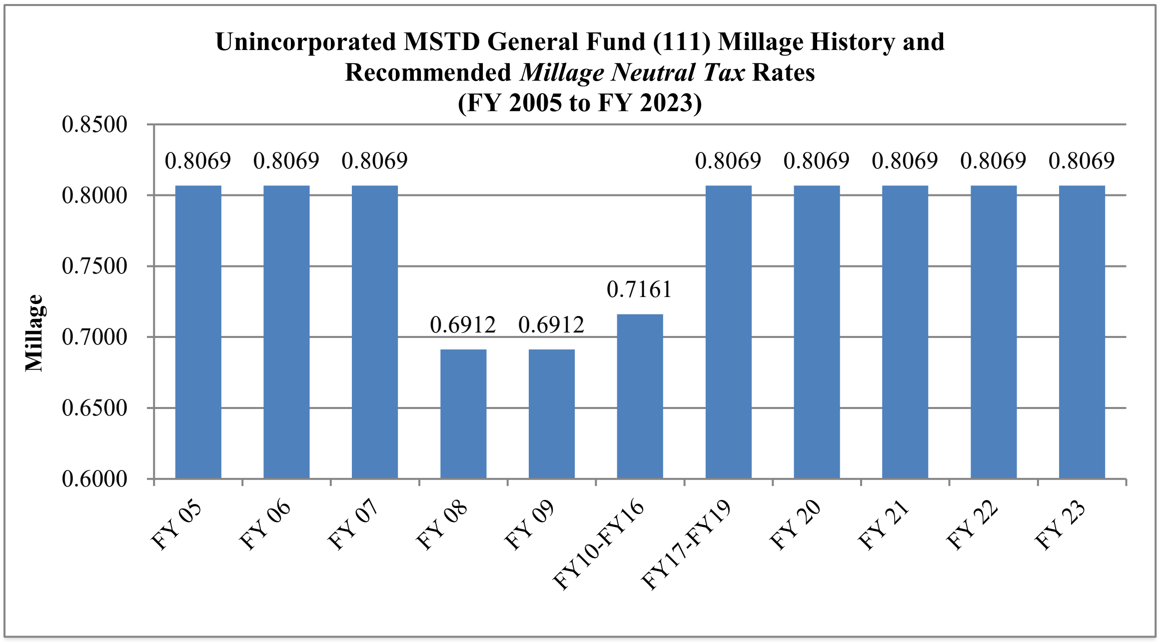
General Fund (001) Analysis

	Adopted Budget FY 2020	Forecast FY 2020		Projected FY 2021 (3% Tax Value increase)		Forecast FY 2022 (2% Tax Value increase)		Forecast FY 2023 (2% Tax Value increase)		Forecast FY 2024
Revenues:										
Ad Valorem	331,755,800	316,908,600	-4.5%	326,415,900	3.0%	332,944,200	2.0%	339,603,097	2.0%	
Sales Tax	41,000,000	41,000,000	0.0%	41,000,000	0.0%	41,410,000	1.0%	41,824,100	1.0%	
Revenue Sharing	11,000,000	11,000,000	0.0%	11,000,000	0.0%	11,110,000	1.0%	11,221,100	1.0%	
Other Revenues	37,382,000	37,895,300	1.4%	35,292,700	-6.9%	39,305,200	11.4%	39,317,694	0.0%	
Less 5% Required by Law	(20,051,000)	0		0	N/A	0		0		
Carryforward	74,395,200	102,024,000	37.1%	*89,121,200*	-12.6%	*67,306,700*	-24.5%	*60,429,600*	-10.2%	*55,455,691*
Total Revenues	475,482,000	508,827,900	7.0%	502,829,800	-1.2%	492,076,100	-2.1%	492,395,591	0.1%	
Expenditures:										
Departments/Divisions	81,528,900	78,390,000	-3.9%	79,081,800	0.9%	79,872,500	1.0%	80,671,200	1.0%	
Operating Transfers	61,659,100	60,555,600	-1.8%	63,526,000	4.9%	62,805,700	-1.1%	63,957,500	1.8%	
Debt Service	3,694,200	3,694,200	0.0%	3,655,600	-1.0%	3,628,100	-0.8%	2,629,400	-27.5%	
Cap - Loans to Impact Fee Fds	1,040,200	1,040,200	0.0%	1,697,200	63.2%	2,496,800	47.1%	2,254,600	-9.7%	
Capital Transfers	36,913,600	36,913,600	0.0%	41,377,500	12.1%	32,160,300	-22.3%	32,160,300	0.0%	
Constitutional Officers	239,113,100	239,113,100	0.0%	246,185,000	3.0%	250,683,100	1.8%	255,266,900	1.8%	
Reserves	51,532,900	0		0		0		0		
Total Expenditures	475,482,000	419,706,700	-11.7%	435,523,100	3.8%	431,646,500	-0.9%	436,939,900	1.2%	
Revenues less Expenditures (Carryforward)		*89,121,200*		*67,306,700*		*60,429,600*		*55,455,691*		
										Total amount of Carryforward/Equity consumed
Amount of Equity (CF) (reduced)/increased to balance the budget		*(12,902,800)*		*(21,814,500)*		*(6,877,100)*		*(4,973,909)*		*(46,568,309)*
Budgeted Reserves				56,488,400		56,653,500		56,817,700		

Unincorporated Area General Fund (111)

Unincorporated Area General Fund (111) Millage History and Projected Millage Rates

As a point of reference, the following graph plots the historical Unincorporated Area General Fund (111) millage rate, as well as the policy proposed millage rate for FY 2021 through FY 2023, which includes the proposed marginal millage rate increase to continue the landscape median capital program.



Results of Unincorporated Area General Fund Analysis

For FY 2020, the Board of County Commissioners maintained the Unincorporated Area General Fund millage rate at $.8069 or that rate levied in FY 2007 and earmarked the marginal increase above the operating millage rate of $.7161 or $.0908 toward recurring dollars for maintenance of the landscape investment. Due to escalating costs, constructing new landscape medians deferred during the recession ceased in FY 2020 and the program is transitioning to maintaining the landscape assets constructed.

The table below depicts the forecast 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 program. Incremental ad valorem dollars obtained through tax base increases under the current $.7161 operating millage rate will fund recurring operations and provide capital transfer dollars toward maintaining the road network, storm-water system, and community parks. The marginal rate increase to $.8069 or $.0908 will be used exclusively to fund median landscape maintenance going forward. The Board should also note the magnitude of our future maintenance and asset replacement responsibility and dedicate resources gained through any tax base increase assuming a millage neutral tax rate toward this purpose.

Unincorporated Area General Fund	FY 20 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 Program
FY 20	0.8069		
FY 21	0.8069	$1,198,000 @ 3.0% TV Increase	$151,900 @ 3.0% TV Increase
FY 22	0.8069	$822,600 @ 2.0% TV Increase	$104,300 @ 2.0% TV Increase
FY 23	0.8069	$839,100 @ 2.0% TV Increase	$106,400 @ 2.0% 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 2021, the projected rolled back rate within the Unincorporated Area General Fund is $.7610. If the operating rate is left at $.7161, the marginal rate devoted to the landscape program drops from $.0908 to $.0449. This could result in $2.5 million less for the landscape maintenance program, unless cuts in operations soften the landscape program levy loss. Obviously, a rolled back position in the Unincorporated Area General Fund 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, including maintaining the existing landscape median assets. Additionally, levying the rolled back rate when taxable values drop means the rolled back rate will increase and of course the temptation will be to revert to the millage neutral rate levied in the prior year which will raise even less property tax revenue.

FY 2021

The FY 2021 budget projection is based upon a 3.0% tax base increase. Property taxes and the state shared communications services tax represent over 97% of the budgeted 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 or curtail other local revenue sources.

Capital transfers from the Unincorporated Area General Fund have grown substantially since FY 2014 and for FY 2021 $8.9 million is programmed representing a $1.1 million increase over last year. These transfer dollars are programmed for Park improvements, Transportation system enhancements, and Storm-Water infrastructure. Sustaining these capital appropriations and maintaining necessary transportation, landscaping maintenance, 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.

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 2022

If taxable values increase by 2.0% in FY 2022, a millage neutral operating budget coupled with a reduction in beginning fund balance could result in a potential budget planning deficit of $9.2 million as depicted within the preceding trend analysis. This analysis assumes a state communication services tax reduction and substantial expense side increases to support landscape median maintenance and capital transfers. The model presents conservative revenue projections and aggressive expense projections in the maintenance and capital areas which results in a continued erosion of the funds cash position. The model is certainly not sustainable and real-time budget management would always ensure that any equity erosion beyond that planned would be curtailed.

FY 2023

Continuation of millage neutral operating budget into FY 2023 under a 2.0% 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. Increased funding for median landscape maintenance is anticipated. For planning purposes and assuming continued decline in beginning budgeted fund balance, a deficit of $9.9 million is depicted. Absent real-time budget management the model depicts a total fund equity loss from FY 2020 through FY 2023 totaling $28.4 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 2020	Forecast FY 2020		Projected FY 2021 (Increase 3% TV)		Forecast FY 2022 (Increase 2% TV)		Forecast FY 2023 (Increase 2% TV)		Forecast FY 2024
Revenues										
Ad Valorem	41,597,600	39,933,700	-4.0%	41,131,700	3.0%	41,954,300	2.0%	42,793,400	2.0%	
Ad Valorem - Landscaping Component	5,274,500	5,063,500	-4.0%	5,215,400	3.0%	5,319,700	2.0%	5,426,100	2.0%	
Communication Services Tax	4,500,000	4,500,000	0.0%	4,500,000	0.0%	3,500,000	-22.2%	3,500,000	0.0%	
Other Revenue	5,853,100	6,369,500	8.8%	2,144,200	-66.3%	2,165,600	1.0%	2,187,300	1.0%	
Less 5% Required By Law	(2,772,800)	0	-100.0%	0	N/A	0	N/A	0	N/A	
Carryforward	7,847,800	10,790,300	37.5%	7,885,400	-26.9%	1,527,700	-80.6%	(7,670,900)	-602.1%	(17,587,200)
Total Revenues	62,300,200	66,657,000	7.0%	60,876,700	-8.7%	54,467,300	-10.5%	46,235,900	-15.1%	
Expenditures										
Landscape Maintenance	2,272,600	2,150,700	-5.4%	2,160,800	0.5%	2,204,000	2.0%	2,248,100	2.0%	
Roads	2,562,500	2,562,500	0.0%	2,392,000	-6.7%	2,892,000	20.9%	3,392,000	17.3%	
Parks & Rec.	14,141,800	13,720,000	-3.0%	13,386,400	-2.4%	14,522,300	8.5%	14,812,700	2.0%	
Code Enforcement	4,757,300	4,483,000	-5.8%	4,253,100	-5.1%	4,338,200	2.0%	4,425,000	2.0%	
Other Departments/Divisions	8,175,800	8,447,500	3.3%	8,316,000	-1.6%	8,482,300	2.0%	8,651,900	2.0%	
Operating Transfers	19,087,900	19,087,900	0.0%	19,445,500	1.9%	19,834,400	2.0%	20,231,100	2.0%	
Capital Transfers	8,320,000	8,320,000	0.0%	9,395,200	12.9%	9,865,000	5.0%	10,062,300	2.0%	
Reserves	2,982,300	0	-100.0%	0		0		0		
Total Expenses	62,300,200	58,771,600	-5.7%	59,349,000	1.0%	62,138,200	4.7%	63,823,100	2.7%	
Fund Balance		7,885,400		1,527,700		(7,670,900)		(17,587,200)		Total Amount of Equity Consumed
Equity Reduction to balance budget		(2,904,900)		(6,357,700)		(9,198,600)		(9,916,300)		(28,377,500)
Budgeted Reserves				2,463,600		2,463,600		2,463,600		