

# Captiva Island Incorporation Feasibility Study

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## Preface

Community leaders in Captiva Island are exploring the viability of incorporation with the following primary goals:

- 1) "Home Rule" which would allow area residents to control the future land use and other matters within the community.
- 2) Preservation of the island environment and quality of life.
- 3) Take a long-range look at what future impacts and outside forces will have on the island.
- 4) Return a greater share of their Lee County tax dollars to the community.
- 5) To build a community centered land use plan to maintain the environment and other needs of the island, under the control of Captivans.

A goal of incorporation would be to maintain a minimal level of staffing. Wherever possible, municipal services would be contracted, based on cost effectiveness and the ability to provide a desired level of service. The intent would be to work with the Captiva Island Fire District, the Captiva Erosion Prevention District and Lee County to continue services provided by those bodies. Law enforcement would remain a function of the Lee County Sheriff's Office, with the levels of service maintained as at present. Planning, zoning, building inspections and code enforcement would remain a function of Lee County Government, but provided on a contractual basis. Library, Roads, Fire and Erosion Prevention functions would remain as at present.

Florida statutes establish certain standards for incorporation that have to be met by new communities trying to incorporate. Captiva meets the standard of being a compact, contiguous, and amenable to separate municipal government. The area proposed for incorporation does not meet the minimum population of 5000, and will require a waiver in the local bill. The upland developable area minus the wetlands has

a population density greater than the required 1.5 persons per acre. The area proposed for incorporation does not have a minimum distance of at least 2 miles from a boundary of an existing municipality within the county, but an extraordinary natural boundary that requires separate municipal government is present (Blind Pass).

The proposed area for incorporation meets all but one standard for incorporation. Captiva does not fully meet the minimum population standard. However the Legislature has included guidance as to the meaning and application of the stated requirements in the Florida Local Government Formation Manual. Those Manual states:

"In recent years several special acts have been passed by the Florida Legislature that does not meet the incorporation standards of chapter 165, Florida Statutes. The Florida Legislature is bound by the provisions of the Florida Constitution and cannot enact laws that conflict with the Constitution. However, one legislature cannot tie the hands of future legislatures. Therefore, the current acting legislature may enact general laws or special acts that conflict with prior laws adopted by past legislatures. Since incorporation laws are not part of the Florida Constitution, the standards for incorporation listed in chapter 165, Florida Statutes, are considered to be guidelines when the legislature passes a special act to incorporate a new city. As such, the Legislature can approve incorporation even if the standards are not met by the proposed city."

*These requirements as set forth in Section 165.061(1) F.S., are subject to amendment by a later special act. The Legislature has both the authority to enact requirements and to amend or waive such requirements by subsequent legislative action.*

*As to the density requirements, Section 165.061 (1c) has a disjunctive "or" built into the requirement. It reads as follows:*

*"(c) It must have an average population density of at least 1.5 persons per acre or have extraordinary conditions requiring the establishment of a municipal corporation with less existing density." (Emphasis added)*

*The methodology of computing population has only marginal meaning in terms of popular resort areas such as Captiva Island. The addition for the standards allowing for extraordinary conditions is designed for precisely this type of functional population is significantly greater than the population as determined in a census.*

*As to the separation from an existing municipality, subsection "D" also contains the word ("or"). It provides as follows:*

*(d) It must have a minimum distance of any part of the area proposed for incorporation from the boundaries of an existing municipality within the county of at*

*least 2 miles or have an extraordinary natural boundary, which requires separate municipal government (emphasis added).*

*Again, this language must certainly refer to land separated by water bodies and almost assuredly relates to islands. Each island has its own identity and culture, which is, in large part, circumscribed by the pass that separates them.*

*"Blind Pass" meets the definition of an extraordinary natural boundary that requires a separate municipal government" set forth in 5.165.061 (1) (d), F.S. This assertion is based on the fact that on both Federal and State jurisdictional maps Blind Pass is identified as a natural boundary separating the two barrier islands of Sanibel and Captiva (see the map that is included in original report under the proposed charter section, page, 1 ).*

*Further this natural barrier has been used historically in the determination of the boundary for the incorporation of the City of Sanibel. The two distinct island communities have historically been respectful neighbors each with its own unique characteristics. At the time of the Sanibel incorporation the Captiva community was asked to be included in the proposed city limits and refused. As part of this study Sanibel officials were asked if they had any opposition to the Captiva incorporation and they did not. The two barrier islands have always co-existed with mutual respect but without many unifying issues.*

*It is clear that that "Blind Pass" is "an extraordinary natural boundary" that separates two barrier island communities with unique and distinct characteristics. We believe that it meets the standard set forth in the statutes.*

Therefore, this study proposes that this waiver by the legislature is consistent with its past actions.

On August 24, 2000 the Captiva Incorporation Committee, Inc. signed a letter of engagement with BJM Consulting, Inc. This agreement directed BJM Consulting, Inc. to review a series of tasks approved by the Committee and to provide an impartial assessment of the tasks and present the findings to the community leaders. The assigned task was to develop a "Feasibility Study" of the incorporation of Captiva under the requirements of the Florida State Legislature. Some of those requirements are:

- A review of the existing services presently being provided on Captiva.
- Development of proposed incorporation revenue timeline and work with charter attorney to coordinate charter with feasibility study.
- Development of revenue analysis for proposed incorporated area.
- Development of expenditure analysis for proposed incorporated area.
- A pro forma presentation of revenue vs. expenditures, forecasted for a period of five years.

Financial projections by BJM Consulting, Inc. are based on information provided

by Lee County Governmental Agencies and compared to projections provided by the State of Florida. In addition to developing these financial projections, BJM Consulting, Inc. conducted a series of interviews with parties involved in the Captiva Island community, or with entities that conceivably would provide services to the Captiva Island community on a contractual basis should the community become a city.

In preparation for this report BJM Consulting, Inc. reviewed the following documents: Captiva Civic Association's Governance Assessment Committee report dated October 15, 1999; Memorandum from Marsha Segal-George, Titled: Preliminary Analysis of Possible Captiva Incorporation, dated May 8, 2000; Alternatives for Autonomy for Captiva Island from Lee County, by Beverly Grady, Attorney; The State of Florida Local Government Formation Manual; and a draft boiler-plate charter for the Village of Captiva.

In addition to providing an independent assessment of the scope of services developed by the Committee, BJM Consulting, Inc. has completed a SWOT (strengths, weaknesses, opportunities and threats) Analysis of incorporation for the Captiva Island Community. The intent has been to provide a concise yet thorough analysis of factors that the Captiva Island residents would need to consider when formulating a decision on whether to pursue incorporation of their community.

BJM Consulting, Inc. extends their appreciation to the numerous individuals who cooperated with their efforts in completing this report.

## EXECUTIVE SUMMARY

### SWOT ANALYSIS

The basis of a SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis is to identify the current conditions of an organization in four areas. Strengths and weaknesses are areas of concern that presently exist within the organization, while opportunities and threats are external and future factors. By identifying these conditions, citizens of the Captiva Island community can make informed decisions on whether incorporation is the best path to address the special needs and concerns of the community.

The SWOT Analysis will be broken up into three parts; overall issues that will affect the community, expenses and revenue issues, and contractual service agreements for key services such as law enforcement, fire protection and planning and zoning issues.

It should be noted that the analysis of expenditures and revenues are based on financial projections developed by BJM Consulting, Inc. to support a new and

innovative type of local government. In today's changing world many local governments are looking to out-sourcing many services, this new prototype proposes to out-source all government service functions.

### Overall Issues

#### Strengths:

- Captiva Island is a compact barrier island community with the majority of the necessary infrastructure in place.
- Captiva Island has a very strong ad valorem tax base.
- Community leaders are knowledgeable and experienced in providing existing public services.
- The community has demonstrated the ability to work together to accomplish a common goal.
- The community has the ability to incorporate the existing special land use conditions of the County into the zoning regulations of a new city.
- There is existing support for a business-like look at incorporation by local residents.
- As proposed, the new municipality would not need a large number of employees to provide a high quality of life and good levels of service.
- In an effort to "control future land use" from within the community the proposal contemplates the Captiva City Council setting a land use policy and controlling zoning while using Lee County's administrative staff, through an interlocal agreement to carry out the day to day issues of local land control.
- The distance from the local governmental authority (Lee County Commission, +/- 25 miles) limits the intrusion of local government into everyday life on the island.
- There are no major unfunded liabilities with the island's infrastructure.
- Residents and business owners who are part-time, or non-registered voters have considerable influence on level-of-service discussions within the present system of governing.

#### Weaknesses:

- Captiva never has been through the State of Florida Comprehensive planning process required of cities. While it is anticipated by this study that the Southwest Regional Planning staff will prepare the new city's comprehensive plan, this still will be a new exercise for the town.
- The Village of Captiva will have to establish a working relationship with

State and Federal agencies.

- Because of plans to provide many key services (code enforcement, planning and zoning), through inter-governmental agreements, quality control becomes a key issue.
- There is an under-funded liability in the area of disaster funds for barrier islands throughout Southwest Florida. These are the local government funds necessary to meet the immediate needs of the community, before State and Federal help can be mobilized.
- As the rest of Lee County continue to grow, the limited growth potential and small population on the island will tend to reduce the impact residents will have on the County Commissions.
- A minority of island residents or property owners can align with other off-island special interest groups to influence the commission on issues concerning island matters.

While Strengths and Weaknesses looked at internal and present conditions, Opportunities and Threats look to external and future conditions.

Opportunities:

- Votes on incorporation have been supported by members of the local delegation to the Florida House of Representatives and Florida Senate.
- Local governmental agencies (Southwest Florida Regional Planning Council, and Lee County governmental staff) are willing to negotiate for the provision of services. This would allow Captiva to determine the levels of service desired for the community rather than rely on outside boards or elected officials.
- Incorporation would give Captiva "home rule" powers, as defined in the Florida Constitution, to protect the environment, other interests of the community and define how the community will evolve in the future.
- The city could negotiate with Lee County for control of county impact fees collected within the incorporated area.
- A local government located on the island could react to citizens' concerns much sooner than the existing situation.
- The establishment of a city government on the island would eliminate the influences of non-residents and off island special interest groups.
- The Village could negotiate with Lee County for a share of the excess toll revenues from the Sanibel Causeway as the City of Sanibel does presently.

Threats:

- Business owners who are non-registered voters may experience a change in the influence they have on level-of-service discussions.
- The availability of a government body on the island would give easy access to local special interest groups and possibly increase their influence on the process of governing.
- Because of the small population will there be enough qualified residents willing to serve as local government officials.
- Because of the single member districts called for in the draft charter and the limited number of voters per district (+/- 100) council members could be elected by as few as 26 votes with a 50% turnout in an local election

The next three sections examine conditions associated with the "Bare Bones" form of government and the assumptions used in developing the fiscal forecast.

## Expenses

### Strengths

- The existence of conservative expenditure estimates and projections.
- The existence of a financial plan that includes budget contingencies or reserves.
- A service-delivery plan that limits allocation of city staff while emphasizing contractual services/private sector competition.

### Weaknesses

- Even though existing local elected policy boards may favor entering into contractual agreements to provide services, a change in political leadership could result in the Village of Captiva having to provide all services in-house or pay high costs to continue the services.

### Opportunities

- Captiva would have the ability to implement an innovative, lean and progressive municipal government organization focused on supplying specific levels of service.
- The city would have the ability to negotiate specific levels of service from other governmental or private organizations that already provide services to the community (i.e. Impact Fees).

### Threats

- There is a potential need to establish in-house service providers in the

future.

- There are limited dollars identified in the budget to meet the Disaster Reserve needs in the early years of the study.

## Revenue

### Strengths

- The use of conservative revenue estimates and projections.
- The availability of diverse revenue capacity in areas of ad valorem property taxes, public service tax, franchise fees, licensing and permits, user fees and fines.
- A strong history of growth in assessed property values.

### Weaknesses

- Overall reliance of property tax to balance the budget.

### Opportunities

- The ability to petition the state Legislature in order to receive state shared revenues one year earlier than projected.
- The ability to alter revenue mix bases on the desires of the community.
- The ability to negotiate with other governmental bodies on behalf of the Captiva Island's need for capital dollars through grants and partnerships.
- By the end of the fifth year the disaster reserve is funded to an appropriate level

### Threats

- The inability to initiate revenue-raising capability if the timeline in the report is not adhered to.

## Contractual Services (Code Enforcement, Planning, Zoning and other services)

### Strengths

- The ability to utilize the strengths and sizes of other agencies in terms of manpower, training and equipment.
- The ability to avoid extensive capital costs necessary to begin departments such as police, fire and dispatch for fire and police and geo-processing capabilities for planning and zoning.

- The ability to avoid the need to hire support personnel for law enforcement, fire and planning and zoning staff.
- The ability to negotiate with both Lee County and Sanibel for services.
- The County's elected policy makers and administration were unanimous in their support of serving the needs on a new local government on Captiva through interlocal agreement. The relationship for services from Lee County described in the study is base on both conversation with county administration and a review of the existing interlocal agreements for similar services between the County, the Town of Fort Myers Beach and the City of Bonita Springs. In determining the validity of the cost projections we interviewed the city managers from both municipalities. They agreed that the study's projected cost were reasonable.

### Weaknesses

- The inability to control policy decisions made by agencies with whom contracts are formed. County Government staffs have outside interests that could conflict with the interests of Captiva and its residents. While contractual provisions could be incorporated into the agreement for services, day-to-day policy is too cumbersome to be part of the agreement. Contractual agreements would guarantee that certain levels of service would be provided. Immediate demands or changes in desired levels of service or the focus of efforts would not be as easily changed when compared to in-house staff.

### Opportunities

- Contractual services with outside agencies in the early years of a city would allow policy makers and citizens to keep the initial costs of municipal government to a minimum by avoiding extensive capital costs.
- Additional staffing to handle delivery of essential services could be added in the future.
- The ability to increase or decrease personnel and levels of service based on provisions of the contract.

### Threats

- A change in political or administrative leadership in outside agencies could eliminate the willingness to negotiate for services, or drive up the costs for those services in the future.

- Delays in negotiating contractual services could leave the city without essential services such as code enforcement or hamper the city's ability to meet comprehensive plan submission deadline.

## REVIEW OF EXISTING SERVICES

Captiva Island is currently receiving services from Lee County Government. These services include maintenance of right-of-ways, parks, all developmental services, code enforcement, environmental services, animal control, library, human services and other general governmental services. The Captiva Island Fire Control District provides fire protection. The Captiva Erosion Prevention District provides Coastal/Beach erosion/Renourishment. Law enforcement is the responsibility of the Lee County Sheriff's Department. Emergency Medical Services are being provided by Lee County EMS funded by Lee County. The Island Water Association is providing water, Sprint provides communication services, and Comcast provides Cable TV.

It is projected by this study that after incorporation, all governmental services would continue to be provided by the current agencies. The method of paying for Lee County MSTU services would be changed to utilize revenues collected by the new local government.

### How would incorporation impact the existing services on the island, and what would be the job of the new Village government?

The proposed structure of operations would have the Village unifying the island's land use, zoning, building, and code regulations. This would occur under the authority of the local Charter, with the Village having enforcement authority. The Village would also be a new partner to all present services providers. This would eliminate the need to travel to Fort Myers when there is an issue or concern that impacts only the island. The Village would not be the provider of services, rather it would establish levels of service, prioritize capital and maintenance projects, and be a resource for all community groups.

Local public agencies: (Lee County Government MSTU, Captiva Island Fire Control District, Captiva Erosion Prevention District) have boundaries lying within the territory proposed for incorporation that are on record with the Lee County Property Appraisers Office with the exception of the county-wide taxing authorities. The proposed incorporation will have no effect on those agencies with county wide taxing authority .They are: Lee County General Fund, Lee County School District, Lee County Mosquito Control, Lee County Hyacinth Control, South Florida Water Management District, West Coast Inland Waterway District and the Lee County Library System.

Public agencies that will be providing services to Captiva have projected expenditures very much in line with communities of similar sizes. The following is a projection of the necessary expenditures for these agencies in FY 2002.

	<u>Expenditures</u>	<u>Reserves</u>
Captiva Fire Control District	\$498,600	\$200,000
Captiva Erosion Control District	\$955,029	\$1,401,593
Lee County Sheriff (see note)	\$500,000	
Captiva General Government	<u>\$782,314</u>	<u>\$420,156</u>
Totals	\$2,735,314	\$2,021,749

Note: The Sheriff expenditure is based on two officers 24/7 which is the level of service that is provided today. This service is paid for out of the general fund of Lee County and will continue to be provided for in the same manner after the incorporation. It is included in this example to provide an apple-to-apple comparison to the examples used in the review.

DEVELOPMENT OF A POSSIBLE  
INCORPORATION/REVENUE TIMELINE  
FOR CAPTIVA ISLAND

This study assumes the following incorporation/revenue timeline for Captiva Island:

<u>Date</u>	<u>Activity</u>
August 2000	Independent committee formed to facilitate community debate, and develop boilerplate charter.
September 2001	Incorporation study is completed.
November 2001	Committee presents charter in the form of a local bill to the Lee County Legislative Delegation meeting, and it is passed.
March 2002	Local bill goes to Florida Legislature, and if passed.
Spring and Summer 2002	Community debates the pros and cons of incorporation.
November 2002	Incorporation referendum passes.
December 2002	Council elections held.
December 2002	Town becomes a legal entity.
March 2003	Town begins receiving revenue sharing and sales tax (provided city charter is approved).
January 2003	Town begins receiving ad valorem tax revenue.
July 2004	Town receives first revenue sharing and sales tax if strict timeline is held.

Local governments run on an October 1-September 30 fiscal cycles. The state of Florida however, follows a July 1-June 30 fiscal cycles. In order for newly incorporated Captiva Island to qualify for ad valorem taxes and various types of state shared revenues, it must meet property appraiser deadlines and comply with state-mandated criteria for state shared revenues.

If Captiva does become a legal entity by December 2002, it should begin

receiving property tax revenues collected by the Lee County Tax Collectors in January 2003. Unlike other attempted incorporation, Captiva is a clearly established independent taxing district with clearly identified boundaries. This should make cooperation and coordination with the Lee County Property Appraisers that much easier.

The important dates to remember for revenue purposes are:

Establishment of a tentative millage (following public hearings) on or before July 31, 2003.

Adoption of a final millage rate (following two public hearings) on or before September 30, 2003.

With regard to state shared revenues, Captiva must meet specific criteria established in F.S. 218.23(1), which states:

"To be eligible to participate in revenue sharing beyond the entitlement in any fiscal year, a unit of local government is required to have:

A) Reported its finances for its most recently completed fiscal year to the Department of Banking and Finance pursuant to s. 218.32.

B) Made provisions for annual post audits of its financial accounts in accordance with provisions of law.

C) Levied, as shown on its most recent financial report pursuant to s. 218.32, ad valorem taxes, exclusive of taxes levied for debt service or other special millage authorized by voters, to produce the revenue equivalent to a millage rate of 3 mills on a dollar based on the 1973 taxable values as certified by the property appraiser pursuant to s. 193.122(2) or, in order to produce revenue equivalent to that which would otherwise be produced by such 3 mill ad valorem tax, to have received a remittance from the county pursuant to s. 125.01(6) (a), collected an occupational license tax or a utility tax, levied an ad valorem tax or received revenue from any combination of these four sources. If a new municipality is incorporated, the provisions of this paragraph shall apply to the taxable values for the year of incorporation as certified by the property appraiser. This paragraph requires only a minimum amount to be raised from the ad valorem tax, the occupational license tax and the utility tax. It does not require a minimum millage rate."

Remember that the state operates on a July 1-June 30 fiscal year. Captiva Island may not be eligible for state shared revenues until July 1, 2003, because of that time lag.

### Revenue Timeline Findings

The Town of Captiva Island proposed revenue timeline projects state shared revenue as of March 2003, pending approval of the necessary language in the City

Charter. If this does not occur, the July 2004 date is well into the proposed city's second fiscal year, the city should then be able to meet the criteria established F.S. 218.33(1). Thereafter, state shared revenue is distributed on a monthly basis. This revenue timeline appears accurate, provided incorporation and other steps toward becoming a legal entity are completed within the proposed incorporation calendar.

## DEVELOPMENT OF REVENUE ANALYSIS FOR CAPTIVA ISLAND

For the purpose of this study the revenue analysis is based on the population and taxable value of the Captiva Island only.

### Municipal Revenues

Municipal governments utilize a wide variety of revenues to pay for services provided to their citizens. Responsible municipal governments attempt to balance their revenue sources to produce long-term solvency while utilizing a revenue mix that is compatible with local needs. Depending on these needs, municipal officials should conscientiously formulate a mix of revenues that will pay for municipal operations and services.

Florida's state constitution gives municipalities home rule authority in all areas except taxation. A municipality has the discretion to perform any public service, enact any ordinance unless specifically prohibited by the state. The constitution restricts municipalities to levying taxes that specifically have been authorized by general law enacted by the Florida Legislature. The lone exception is property tax. It is the only local revenue source authorized by the constitution and is capped at 10 mills for general operating purposes. A mill is equal to \$1 of tax for each \$1, 000 of taxable value.

The following is an overview of general fees and revenues typically available to a municipality.

### Ad Valorem Property Tax

Property taxes are based on the value of real and personal property. Each year the county property appraiser determines the total value of each parcel of property. The value of residential property is based solely on the value of the real estate, which includes the buildings and improvements, while commercial property includes these values in addition to all relevant personal property. This value is called "assessed value." After subtracting all lawful exemptions (i.e. Homestead, \$25,000; widow, \$500; widower, \$500; disability \$500), the remaining value is called "taxable value."

Ad valorem taxes are based on taxable value. The property tax is calculated by multiplying taxable value of property by .001, and then multiplying that number by the rate of taxation, which is referred as "mills" or "millage rate." For example, for a home

assessed at \$225,000 by the county property appraiser, the taxable value would be \$200,000 after deducting the \$25,000 Homestead exemption. If the municipality's millage rate were 5.0 mills, the property taxes would be \$1,000 ( $\$200,000 \times .001 = \$200 \times 5.0 \text{ mills} = \$1,000$ .)

All property taxes are due and payable on November 1 each year or as soon as the assessment roll is certified by the Lee County Property Appraiser. Lee County will mail each property owner a notice of taxes due to the city and the discount rate for paying taxes (4 percent if paid in November, 3 percent if paid in December, 2 percent if paid in January and 1 percent if paid in February.) There is no discount if taxes are paid in the month of March, and taxes are considered delinquent after April 1.

Captiva Island received its certificate of taxable value for the 2002 tax year in June 2001. The taxable value is \$ 1,001,106,790. Based on this certificate, Captiva Island tax revenues for fiscal year 2002 per one mill levied can be projected as follows:

Taxable value	\$1,001,106,790
<u>x the percent</u>	<u>0.95</u>
Revised Taxable Rate	\$951,051,451
<u>x millage rate</u>	<u>.001</u>
Estimated Property Tax Revenues at 1 mill	\$951,051

### Ad Valorem Property Tax Findings

Historically, Captiva Island property owners have taken advantage of the various discounts offered by the Lee/Lee County Tax Collector. The certificate of taxable value does not account for such discounts; therefore, a 95 percent projection represents a reasonable and prudent estimate technique used by numerous local Florida governments. Property tax revenues account for more than 80 percent of the total Captiva Island revenue base.

### Public Service Tax

The Public Service Tax, also called the "Utility Tax", is another substantial revenue source. This tax is levied by the municipality on specific utility services collected by the utility provider, even if the provider is the municipality itself. The tax is incorporated into the utility bill and is based on relative consumption.

Section 166.231 of the Florida Statutes provides authority to assess a tax based on the purchase of electricity, telephone and telegraph, water and heating fuels (natural gas, propane, fuel oil and kerosene) at a rate not to exceed 10 percent. Many municipalities apply this tax on a broader definition of telecommunications, which include intrastate long distance, cellular, pagers, etc. In this case the maximum rate allowed is 7 percent on all applicable telecommunications. This option does not include the 10 percent cap on other utilities.

### Public Service Tax Findings

Because this tax does not exist in unincorporated Lee County the Captiva Island incorporation analysis does not include revenues associated with a Public Service Tax; therefore implementation of the tax at a later date could produce two results--additional revenues to either support programs or reduce ad valorem property taxes.

### Franchise Fees

Franchise fees generate revenues in much the same way as the Public Service Tax. Franchise fees, however, typically are levied on a company or utility for the privilege of doing business within the municipality's jurisdiction and/or for utilizing a municipality's right-of-way to transact business.

A 1987 Florida League of Cities survey indicates that franchise fees are levied on electricity, telephone (1 percent maximum), water, sewer, natural gas, cable television (5 percent maximum), solid waste collection, taxis, marinas, mass transit and golf courses. These fees are generally levied at rates of up to 6 percent of gross billings, except where noted above.

### Franchise Fees Findings

Lee County does levy franchise fees (Solid Waste & Cable TV), but the county retains the revenues derived from the collection of these fees. If Captiva Island were incorporated, it would be exempt from county franchise fees. Adoption of these fees by Captiva Island would produce revenue to the Town with no additional fiscal impact on Captiva Island residents. Additional or increased fees adopted at a later date could produce two results -- additional revenues to either support programs or reduce ad valorem property taxes.

### User Fees

The Florida Comptroller defines user fees as "voluntary payments based on direct measurable consumption of publicly provided goods and services." User fees are derived from charges for water, waste water, natural gas, electricity, mass transit, garbage collection, parks and recreation, building inspections, public transportation, special public safety services and a variety of other services.

User fees have substantially increased as a proportionate share of a municipal budget since the 1970's. For some services, fees are charged at rates below the actual cost and partially are offset by taxes. This is necessary for some services so that residents on fixed incomes are not excluded due to high prices. For other services, user fees cover the full cost of service delivery; these services are called enterprise operations. A golf course would be a typical example of an enterprise operation.

In recent years it has become common for municipalities to incorporate "administrative charges" to offset indirect administrative costs computed as a

percentage of gross collections on various enterprise operations, such as electric, water, natural gas, golf course, airport parking and other fee-type services. These show up on the revenue side as "transfers to the general fund" and overhead.

### User Fees Findings

The Captiva Island analysis does not include revenues associated with user fees.

### Intergovernmental Revenue

This category is referred to as "revenue sharing." These revenues are collected by one government and shared with other governmental units. The major sources are delineated below.

#### Municipal Revenue Sharing

The Revenue Act of 1972 (Florida law, chapter 72-360) describes state revenues that are shared between counties and municipalities.

#### "Eligibility Requirements

Pursuant to s. 218.23, F.S., a local government must meet the following requirements to be eligible to participate in revenue sharing beyond the minimum element in any fiscal year:

- 1) Report its finances for the most recently completed fiscal year to the Department of Banking and Finance, pursuant to s 218.32 F.S., (s. 218.23(1) (a), F.S.).
- 2) Make provisions for annual post audits of its financial accounts in accordance with law, pursuant to chapter 10.500 Rules of the Auditor General (s. 218.23 (1) (b), F.S.).
- 3) For local governments eligible in 1972, levy ad valorem taxes (excluding debt service and other special millage) that will produce the equivalent of three mills per dollar of assessed valuation, based on 1973 taxable values as certified by the property appraiser, or collect an equivalent amount of revenue from occupational license tax, or a utility tax (or both) in combination with the ad valorem tax; or for municipalities eligible after 1972, the three mill equivalency requirements will be based upon the per dollar of assessed valuation in the year of incorporation (s.218.23 (1) (c), F.S.).
- 4) Certify that its law enforcement officers, as defined in s. 943.10(1), F.S. meet the qualifications established by the Criminal Justice Standards and Training Commissions, its salary structure and salary plans meet the provisions of Chapter 943, Florida Statutes, and no law enforcement officer receives an annual salary less than \$6,000. However, the Department of Revenue may waive the minimum law enforcement salary requirements, if the municipality or county certifies that it is levying ad valorem taxes at 10 mills (s.218.23(1)(d), F.S)
- 5) Certify that its firefighters, as defined in s. 633.30(1), F.S. meet the

qualifications for employment established by the Division of State Fire Marshal pursuant to ss.633.34 and 633.35, F.S. and that provisions of s.633.382, F.S. have been met (s.218.23 (1) (e), F.S.).

6) Certify that each dependent special district that is budgeted separately from the general budget of the local governing authority has met the provision for an annual post audit of its financial accounts in accordance with the provisions of law (s.218.23 (1) (f), F.S.).

7) Certify to the Department of Revenue that the requirements of s.200.065, F.S. ("TRIM") is met, if applicable. This certification is made annually within 30 days of adoption of an ordinance or resolution establishing the final property tax levy, or if no property tax is levied, not later than November 1 (s.218.23 (1)(f), F.S.).

8) Notwithstanding the requirement that municipalities produce revenues equivalent to a millage rate of three mills per dollar of assessed value (as described in paragraph three), no unit of local government that was eligible to participate in revenue sharing in the three years prior to participating in the Local Government Half-Cent Sales Tax shall be ineligible to participate in revenue sharing, solely due to a millage or a public service tax reduction afforded by the Local Government Half-Cent Sales Tax (s.218.23 (3), F.S.)."

Pursuant to s. 218.21(3), F.S., all municipalities created pursuant to general or special law and metropolitan and consolidated governments as provided in Section 6(e) and (f) of Article VIII, Florida Constitution (i.e. Metro-Dade and Jacksonville-Duval,) are eligible to participate in Municipal Revenue Sharing Program if they fulfill the necessary eligibility requirements.

However, a number of other governmental entities are judged ineligible to receive municipal revenue sharing funds. For example, Attorney General Opinion 77-21 stated that municipal service taxing units (MSTUs) sometimes referred to as municipal service benefit units (MSBUs) are not eligible to receive funds from the Municipal Revenue Sharing Trust Fund. Two additional options determined that both regional authorities (AGO 74-367) and other authorities such as housing authorities, (AGO 73-246) also are ineligible to receive municipal revenue sharing dollars.

If a local government fails to comply with the eligibility requirements, s 218.23(1)(f), F.S. provides that the revenue sharing funds forfeited by the local government shall be deposited in the General Revenue Fund for the 12 months following a determination of noncompliance by the Department of Revenue. More typically, the revenues for an ineligible government are distributed among the remaining eligible governments until the causes for ineligibility are determined and rectified, at which time the city or county is refunded the dollars that were disbursed among all eligible municipalities or counties.

Administrative Procedures/Distribution Formula  
The Municipal Revenue Sharing Program includes:



a) Levy Ratio Factor: This factor is determined by dividing the per capita non exempt assessed real and personal property valuation of all eligible municipalities by the per capita non exempt real and personal property valuation of each eligible municipality.

$$\begin{aligned} \text{Municipality's Per Capita Assessed Value} &= \frac{\text{Municipality's Property Valuation}}{\text{Municipal Population}} \\ \text{Statewide Per Capita Assessed Value Population} &= \frac{\text{Statewide Municipalities' Property Valuation}}{\text{Total Statewide Municipal Population}} \\ \text{Levy Ratio} &= \frac{\text{Statewide Per Capita Assessed Value}}{\text{Municipality's Per Capita Assessed Value}} \end{aligned}$$

b) Recalculated Population Factor: This factor is determined by multiplying the population of an eligible municipality by the levy ratio as calculated above.

$$\text{Recalculated Population} = \text{Levy Ratio} \times \text{Municipality's Population}$$

c) Relative Revenue Raising Ability Factor: This factor is determined by dividing the recalculated population of each eligible municipality by the sum of all eligible municipalities' recalculated population.

$$\text{Relative Revenue Raising Ability Factor Population} = \frac{\text{Municipality's Recalculated Population}}{\text{Total Statewide Municipal Recalculated Population}}$$

4) To determine a municipality's guaranteed portion of the municipal Revenue Sharing Program the three factors calculated above are added together and divided by three to obtain the distribution factor.

$$\text{Apportionment Factor} = \frac{\text{Weighted Population Factor} + \text{Sales Allocation Factor} + \text{Relative Revenue Raising Ability Factor}}{3}$$

The amount and type of revenues shared with an eligible municipality is determined by the following procedure.

First, a municipality's entitlement shall be computed on the basis of the apportionment factor provided in s.218.245, F.S., and applied to the receipts in the Municipal Revenue Sharing Trust Fund that are available for distribution. The resulting amount is labeled entitlement money. This is the amount of revenue, which would be shared with a unit of local government if the distribution of the revenues appropriated

were allocated on the basis of the formula computations alone.

Second, the revenue to be shared via the formula in any fiscal year is adjusted so no municipality receives less funds than the aggregate amount it received from the state in fiscal year 1971-72. The resulting amount is labeled guaranteed entitlement or hold harmless money. Those municipalities incorporated subsequent to 1972 receive no guaranteed hold harmless money.

Third, revenues shared with municipalities shall be adjusted so that no municipality receives less funds than its minimum entitlement, the amount of revenues necessary to meet its obligations as a result of pledges, assignments or trusts entered into which obligated funds received from revenue sharing sources.

Fourth, after making these adjustments and deducting the amount committed to all eligible municipalities, the remaining money in the trust fund is distributed to those municipalities that qualify to receive growth money. This final distribution to those eligible municipalities that qualify to receive additional money beyond the guaranteed entitlement is based on the ratio of additional money of each qualified municipality in proportion to the total additional money of all qualified municipalities.

## Summary

In summary, the total annual distribution to a municipality, depending on the formula, will yield various combinations of guaranteed entitlement and/or growth money (associated with new construction):

- 1) Guaranteed entitlement money PLUS growth money,
- 2) Guaranteed entitlement money only, or
- 3) Growth money only.

However, the final distribution is dependent on actual collections.

## Authorized Uses

According to the Department of Revenue, municipalities may assume that 35.2 percent of their total estimated Municipal Revenue Sharing distribution fiscal year 1996-97 is derived from the Municipal Gas Tax. Thus, at least 35.2 percent of each municipality's revenue sharing distribution must be expended on transportation-related purposes.

As a second restriction, municipalities are limited in the amount of revenue sharing dollars that may be bonded. Municipalities are allowed to bond only the guaranteed entitlement portion of the distribution. This hold harmless provision of the municipal revenue sharing program guarantees a minimum allotment and thereby ensures coverage of all bonding obligations to eligible governments that qualified for revenue sharing dollars before 1972. This provision does not apply to municipalities qualifying for the revenue sharing program after 1972.

Municipalities incorporated after 1973 that wish to qualify for revenue sharing funds must demonstrate local tax effort by using the taxable value of the municipality for the year of incorporation time's three mills. Obviously, a municipality incorporating after 1973 must demonstrate significantly higher actual ad valorem tax effort than municipalities that have been in the program since its inception.

## Municipal Revenue Sharing Findings

Based on projections from the State of Florida Department of Revenue--Office of Tax Research, municipal revenue sharing money for Captiva Island in fiscal year 2001 are estimated at **\$8,971.00**.

## Local Government Half-Cent Sales Tax

Chapter 82-154, Laws of Florida, created the Local Government Half-Cent Sales Tax Program. This program generates a significant amount of revenues for local governments by distributing sales tax revenue and money from the state General Revenue Fund to counties and municipalities that meet strict eligibility requirements.

The primary purpose of the tax is to provide relief from ad valorem and public sewer taxes in addition to providing revenue for local programs.

### Eligibility Requirements

A county or municipality must satisfy the following requirements (spelled out in s.218.63, F.S.) to be eligible to receive an ordinary distribution:

- 1) Qualify to receive revenue sharing funds by satisfying all requirements contained in s.218.23 F.S. However, a municipality incorporated subsequent to the effective date of Chapter 82.154, Laws of Florida (April 19, 1982), which does not meet the applicable criteria for incorporation pursuant to s. 165.061, F.S. shall not participate in Local Government Half Cent Sales Tax.
- 2) Meet the millage limitation requirements outlined in s.200.065, F.S.

### Distribution

The statutes' provisions require revenue distribution to be made monthly. Accordingly, under ordinary distribution, participating counties and municipalities receive 9.653 percent of sales tax authorized under Part I of Chapter 212, Florida Statutes.

There are two limitations on proceeds local governments may receive from the Half-Cent Sales Tax Program.

- 1) The ordinary emergency and supplemental distributions are limited by the amount of available sales tax revenues.
- 2) The ordinary, emergency, and supplemental distributions are limited to those counties or municipalities satisfying eligibility requirements.

### Calculation of Ordinary Distribution factors for Counties and Municipalities

$$\text{Distribution Factor} = \frac{\text{Municipal Population}}{\text{Total County Population} + (2/3 \times \text{Incorporated Population})}$$

The Municipal Share = the distribution factor x the total Half Cent ordinary distribution for each county.

### Local Government Half-Cent Sales Tax Findings

Based on projections from the State of Florida Department of Revenue--Office of Tax Research, the half-cent local government sales tax distribution to Captiva Island in fiscal year 2001 is estimated at **\$62,532.00**.

The state estimates half-cent sales tax at 100 percent of distribution. Variation

between projections and actual results are due to the combined effect of reconciling state and local Fiscal years, as well as, the seasonal nature of sales tax collections. A more reasonable and prudent technique would be to project half-cent sales tax fund at 95 percent of the state estimate.

### Municipal Financial Assistance Trust Fund

Chapter 71-364, Laws of Florida, created the Municipal Financial Assistance Trust Fund and increased the amount of the cigarette tax by two cents per pack of cigarettes to be deposited in the fund. Chapter 90-132 changed the portion of the tax deposited into the fund from two cents per pack to a percentage (5.8 percent) of net collections. The new collection percentage remains approximately equal to the original two cents per pack.

#### Eligibility Requirements

Only those municipalities qualified to receive Municipal Revenue Sharing Funds under the provisions of s.218.23 (1) (c), F.S., may participate in the Municipal Financial Assistance Trust Fund program and receive a distribution.

#### Authorized Use

Pursuant to s.200.132 (1), F.S., municipalities may consider Municipal Financial Assistance Trust Fund revenue as general revenue and use the allocation for any public purpose.

### Municipal Financial Assistance Trust Fund Findings

Based on projections from the State of Florida Department of Revenue--Office of Tax Research, Municipal Financial Assistance Trust Fund distribution to Captiva Island in fiscal year 2001 is estimated at **\$4,017.00**

The state estimating techniques represent 100 percent of distributions. Such estimates have fluctuated over and under actual collections; therefore a 95 percent estimate for budgetary purposes represents a reasonable and prudent approach.

### Licenses and Permits

#### Municipal Occupational License Tax

According to Section 205.042, Florida Statutes, "The governing body of an incorporated municipality may levy, by appropriate ordinance or resolution, an occupational license tax for the privilege of engaging or managing any business, profession or occupation within its jurisdiction."

The occupational license tax is designed specifically to raise revenue and should not be confused with the regulatory fees referred to in Section 166.221, Florida Statutes.

Occupational license tax revenues during the pre-1970s contributed a greater portion of the municipal revenue stream than at the present time. In 1972, the Legislature froze all license rates as they were in place on Oct. 1, 1971. In 1980, the Legislature allowed local governments to raise the rates of licenses with flat rates according to a three-tier schedule; 100 percent increase for rates \$100 or less, 50 percent increase for rates between \$101 and \$300, and a 25 percent increase for rates of more than \$300. In 1982, the Legislature allowed graduated or per unit rates to increase up to 25 percent.

#### County Occupational Licenses

Revenues are distributed to municipalities based upon percent of population.

#### Insurance Agent Licenses

Florida Statutes (F.S. 624.507) authorize municipalities to require license fees not to exceed 50 percent of the State License tax specified by statutes, for agents operating within municipal boundaries.

#### Alcohol Beverage License

Thirty-eight percent of all alcoholic beverage license revenues collected by the state from within a municipality are returned to the municipality.

#### Permits

Municipalities charge permit fees for a variety of land use services, including building and related construction, planning, storm water and zoning services. These are as delineated below:

##### A) Building and Related Construction Permits

Includes revenue for issuance of all building, plumbing, electrical, mechanical, heating/air conditioning and similar construction permits.

##### B) Storm water

Fees charged for review and inspection of projects requiring storm water Management permits.

##### C) Zoning and Related

Includes all fees collected for rezoning requests, variances, special exceptions, etc.

##### D) Planning

Includes comprehensive plan compliance/concurrency reviews, planned unit development, etc.

#### Licenses and Permits Findings

This report does not include revenues associated with licenses and permits because these fees typically are revenue neutral. Revenues raised from this source

would pay for inspections, processing and plan review functions that will be provided by Lee County or Sanibel staff through interlocal agreement.

### Fines and Forfeitures

This revenue category includes receipts from fines and penalties imposed from the commission of statutory offenses, violation of lawful administrative rules and regulations and for neglect of official duty. Fines include court fines, library fines, pollution control violations and violations of local ordinances. Forfeitures include revenues resulting from confiscation of deposits or bonds held as performance guarantees and proceeds from sale of contraband property seized by law enforcement agencies.

### Fines and Forfeitures Findings

This report does not include revenues associated with such fines. The question of a lack of a municipal police force raises doubt as to the Town's ability to be eligible for such funds.

### Motor Fuel Tax Refund

Florida Statutes provide for the first five cents of state gas tax paid by a municipality to be returned to the municipality for use in its vehicles.

### Motor Fuel Tax Refund Findings

This revenue source will not be significant to Captiva Island due to the proposed limitation on city vehicular equipment.

### Investment Income

Revenues derived from investment of cash receipts and idle funds are an important, yet often overlooked source of revenue. Many local governments are recognizing the importance of establishing effective cash management/treasury programs and are restructuring their government operations to accelerate revenues, promote aggressive revenue collections and maximize cash flow.

### Investment Income Findings

This incorporates investment income of **\$5,000** annually from fiscal year 2003 to fiscal year 2008.

### Contributions and Donations

This revenue category is comprised of various sources primarily gifts, pledges, bequests or grants from non-governmental entities. Due to the nature of this category,

revenue derived from these sources can fluctuate greatly from one year to the next.

### Contributions and Donations Findings

Contributions and donations generally are considered revenue neutral because they typically are earmarked for specific programs or services by those making the donation.

### Miscellaneous Revenue

The miscellaneous revenue category includes a variety of less important sources, such as permit fees, non-occupational license fees, rents, royalties, special assessments, the sale of assets, insurance compensation, etc.

### Miscellaneous Revenue Findings

There is no attempt by this report to project such revenue. This is a reasonable approach considering the difficulty in developing stable projections.

### Local Option Gas Tax

Cities in Lee County share in the county's 6-cent local option tax on motor fuel and special fuel. The county uses its portion for debt service on bonds and maintenance of existing roads. The cities use their share for general transportation purposes. There is a statutory formula that establishes a minimum portion to be shared with each city. **Each city in Lee County has been able to negotiate a larger portion of this tax through an interlocal agreement with the County.** Recently Lee County imposed an additional 5-cent gas tax, with the cities participating through interlocal agreements. This portion of the gas tax can only be used for transportation projects that meet the requirements of the capital improvements element of an adopted comprehensive plan.

### Local Option Gas Tax Findings

This report does not consider Local Option Gas Tax as a revenue. It is believed that the amount that could be developed through an interlocal agreement, along with the restrictions that are tied to the source of funds would be insufficient to meet the transportation needs of the area. Therefore, it would be in the best interest of the Town to remain with the status quo. The Counties would retain the Town's portion of the tax and the Counties would continue to provide the present level of service through a negotiated interlocal agreement.

## EXPENDITURE ANALYSIS

## Municipal Expenditures

Municipal government expenditures cover a wide variety of areas. Specific areas, however, are largely dependent upon the desires and needs of the citizenry and are formulated by the municipality's elected officials. General expenditure categories for Captiva Island will be presented within specific expenditure groups and subgroups as reported in the Florida Local Government Financial Report, which is prepared annually by the Florida Comptrollers Bureau of Local Government Finance.

### General Government

The general government category includes the legislative, judicial and administrative functions of the municipal government for the benefit of the public and governmental entity as a whole. This includes total expenses for elected officials, city manager, city clerk, finance, administrative, legal counsel, comprehensive planning, elections and insurance.

### Public Safety

This category also includes police and sheriff's department services, corrections, fire prevention, municipal fire services and/or contractual payments for fire fighting services from other entities. Public safety is the largest single expense area for Florida's municipalities and has shown sizable increases during the past several years. With Florida's growing population and increased demands for improved law enforcement and fire protection, this area is expected to continue to grow. Because of the limited growth potential on Captiva this is not expected to have a large impact.

### Utilities

Municipal utilities in this context refer to basic user fee services associated with enterprise fund operations of water, sewer, electric and natural gas.

### Solid Waste

Three components fall under the function of solid waste: collection, disposal and recycling.

The collection aspect can take several forms. Many years ago, back door collection was the primary method. As personnel costs steadily grew, municipalities were forced to find cheaper and more cost efficient methods. Today, the majority of municipalities utilize curbside collection or they contract with a private hauler to perform all or part of the operation. In larger multi-family complexes, dumpster service is now the norm.

Solid waste disposal has become increasingly complex and expensive in recent

years, following the passage of state and federal environmental laws. Due to these actions, virtually all municipalities have moved away from landfill operations and this has become a county function or service provided by independent districts that operate from larger tax or population bases.

While recycling of discarded goods has been performed for many years in Florida, the passage of the state's Solid Waste Management Act in 1988 has prompted the emergence of highly organized recycling programs. This act requires, among many other things that communities initiate and achieve specified levels of recycling to reduce the volume of solid waste taken to landfills by 30 percent by the end of 1994.

### Roads and Streets

The construction, maintenance and improvements of the road and street network are the most expensive area of the various transportation related expenditures (other transportation related expenses are addressed in Miscellaneous Expenses). Specific expense areas associated with the road and street network include roadway and right of way operations and maintenance, roadway and right of way drainage, street lighting, traffic signage and signalization, pavement markings, traffic engineering and bridge maintenance.

Municipal road responsibilities are assigned by the state of Florida through a system termed "functional classification." The functional classification system specifies that municipalities are responsible for the city street network. Basically, this includes all local residential streets, and short-distance connecting roads. It does not include roads, which are part of the state highway system, even though they may fall within municipal boundaries.

### Stormwater and Environment

This category includes only the master drainage system, flood control and environmental related expenses incurred by the municipal government. It does not include the costs associated with stormwater runoff attributable to roads, streets or roadside drainage.

In the past, stormwater-related functions were traditionally handled as a general government service funded through the municipality's general fund. Recently some local governments have established a stormwater function as a full-fledged utility operation. The utility is placed in a separate enterprise fund with revenues generated from monthly billings on the municipality's traditional water and sewer bills or as a separate stormwater bill.

### Economic Improvement

The economic improvement category is a collection of related services associated with developing and improving the economic condition of the municipality

and its residents. It includes programs such as: employment training, job search, downtown and industrial development/improvement, housing and urban development, etc. These expenses are related only to those programs directly served by the municipality and exclude those performed by independent districts and authorities, which often are located within and named after the municipality.

### Human Services

Human service expenditures pertain to those costs associated with the provision for the care, treatment and control of human illness, injury or handicap, and for the welfare of the municipality and its residents. This category includes all municipal costs to operate hospitals, health and rehabilitation, diagnosis and treatment of mental illness, and economic assistance to the indigent.

The function of human service assistance is primarily funded and administered by county agencies (as a function of state government) and by independent authorities and districts.

### Culture and Recreation

Culture and recreation is a general category combining the expenditures of libraries, parks, recreation, cultural services, special events and special recreation facilities.

### Debt Service

Debt Service is shown as a separate category due to the reporting requirements of the Florida Comptroller's Local Government Financial Report, which shows it separately rather than by functional category. This category reflects those funds spent toward principal, interest, and various handling fees associated with municipal bond issues.

The four basic forms of long-term debt are: general obligation (G.O.) bonds, revenue bonds, general revenue bonds and special tax bonds.

G.O. bonds also are known as "full faith and credit bonds" because their repayment is unconditional and based on general credit and taxing powers of the borrowing government. Since the power to levy and collect property taxes provides the basic security to these bonds, they require voter approval. G.O. bonds generally carry the lowest interest rates, and typically are used to finance general-purpose public buildings, roads, and criminal justice complexes.

Another form is a revenue bond. These are obligations in which repayment of debt service is entirely from user fees of an enterprise operation. The most common municipal issues are for water, wastewater, electric, parking garages, civic centers, stadiums and airports.

A third type of long-term debt is a general revenue bond. This is a cross between a G.O. and a revenue bond. Like a revenue bond, it does not require a referendum; yet like a G.O. bond, it has the full faith and credit of a specific or a percentage of all general funds, non-ad valorem revenues.

A final type is the special tax bond. It, too, is similar to a G.O. bond in that it often is used for general government purposes and the repayment revenue is from a source unrelated to the project. Special tax bonds are payable from a specifically pledged tax, usually a local option sales tax or tourist tax.

Miscellaneous Expense

This category consists primarily of smaller budget functions or those, which are not widely utilized by a significant number of municipalities. These include airports, port facilities, commercial docks, mass transit systems, traffic flow enhancement services, parking facilities and miscellaneous general government services not itemized within that category.

Findings for Expenditure Analysis

This report includes **\$400,634** in administrative and finance expenditures and an additional **\$372,220,357,680** for growth management, legal, code enforcement, professional planning services, and general government support from Lee County. These expenditures are for a combination of municipal employees and contractual services as shown below

**Municipal Employees**

<b>Position</b>	<b>Proposed Salary</b>	<b>Fla. League of Cities Avg. Salary</b>
City Manager/City Clerk	\$85,000	\$77,790
Assistant City Manager	\$65,000	\$48,500
Administrative Assistant	\$28,000	\$29,300

**Contractual Services**

<b>Contract Services</b>	<b>Proposed Cost</b>
Legal Services	\$75,000
Growth Management	50,000
Professional Services	25,000
County Government	222,220,207,680
<b>Total</b>	<b>\$372,220,357,680</b>

The projected salaries for administrative staff are within the average salary for Florida cities with population between 10,000 and 50,000 residents. The projected



contract costs for growth management, planning and code compliance could employ one full-time planner and operating costs, rather than contracting for services.

The proposed administrative and finance expenditures can be delineated as follows:

Personnel w/benefits	\$247,509
Operating/rent	73,125
Capital	50,000
Contingency	<u>30,000</u>
<b>Total</b>	<b>\$400,634</b>

The above costs include all relevant expenditure categories and coupled with the 5 percent contingency factor, appear reasonable to assume the administrative and financial activities for Captiva Island.

Road maintenance is proposed to be left with Lee County at no additional cost to the Town.

The final major expenditure category--parks and recreation--will continue to be provided by Lee County.

**The following is the first full year (FY/2003) projections for revenues and expenditures necessary for the Village of Captiva. [See pages 29-30 for details calculations and five year forecast]. [The Village will only come into existence in the fourth month of the fiscal year, therefore only 75% of the annual projected budget would be realized by the new municipality.]**

Revenues

State Shared Revenue	\$81,680
Franchise Fees	83,200
Interest Earnings	5,000
Ad Valorem Property Taxes	1,276,797,343,997
	<u>\$1,371,797,513,8770</u>

Expenditures

Personnel Cost With Benefits	\$247,509
Operational Overhead / Rent	73,125
Contractual Services	372,220,357,680
Insurance & Audit	24,000
Capital	50,000
Contingency	<u>30,000</u>
	<u>\$796,854,782,314 Reserves</u>
	\$574,943,731,563

## **Task 6 A PRO FORMA PRESENTATION OF REVENUE/EXPENSE FORECASTED FOR A FIVE YEAR PERIOD**

The purpose of a multi-year forecast is to estimate city revenues and expenditures over a designated period--usually five to ten years. Most local governments preparing a fiscal forecast use it as a tool for preparing and executing an annual budget. This type of annual or short term forecasting is necessary for a municipality to maintain a balanced budget.

Long-term fiscal forecasts are conducted for two main reasons.

1) Multi-year forecasts often show that fiscal adjustments might be needed to balance future budgets. When expenditures are projected to exceed revenues, measures must be taken to correct the imbalance. This process is called gap analysis.

2) Multi-year forecasts can help decision makers quantify and evaluate potential impacts of today's policy decision. This process is referred to as impact analysis. The multi-year fiscal forecast for Captiva Island is designed to assist the Committee in accomplishing the following objectives:

- To indicate to the parties in the incorporation process the presence of systematic financial planning.
- To serve as an aid to all parties in the incorporation process in the anticipation of future fiscal issues, enabling corrective action to be taken where necessary.
- To assist all parties in operations planning.
- To strengthen estimates of revenues and expenditures in the annual budget process.

### Benefits and Limitations

#### Benefits of Forecasting

The major benefits of multi-year forecasting include:

- Identification of possible consequences of various economic policy scenarios.
- Identification of future fiscal problems.
- Development of sound financial management policies and practices.
- Provision of information to all parties in the incorporation process (government agencies, the press, business, community, neighborhood organizations and the general public) that explains the relationship between program expansion and anticipated revenues.

#### Limitations of Forecasting

Multi-year forecasts have inherent limitations.

1) Forecasts are not entirely accurate in predicting what actual revenues and expenditures will be in a particular year. Since a forecast is based on current trends, estimates may be imprecise if economic and/or financial assumptions change. Therefore, forecasts must be revised when key variable such as inflation, interest rates or business climates change unexpectedly.

2) The unlikely event that an actual budget deficit will occur is a second factor that undermines the accuracy of forecasts. State law mandates local governments to balance their budgets. But forecasting methods do not anticipate municipal decisions that close budget gaps and prevent deficits.

This study has developed a Five-year financial projection for an incorporated Village of Captiva based on fiscal years 2003 through 2007. BJM Consulting, Inc. developed the assumptions used in this financial forecast. They have been updated by CICI to provide projections through 2007:

Population

The current permanent population is estimated at 379 and total population (with seasonal residents) is estimated to approach 4,000. The growth in population is projected to increase to 450 in FY 2007, with a peak population of 700. The population growth is based on the projected growth of the approved developments already approved in the study area. This projection is consistent with previous growth patterns and other studies of Captiva Island.

Property Tax Base

The property tax base is projected to increase an average 10 percent from fiscal year 2003 through 2007. The taxable assessed value in Captiva Island is projected at \$1,046,156,596 for fiscal year 2003 and is expected to increase to \$1,531,677,872 in fiscal year 2007.

Expenditures

Expenditures for growth management, planning/code compliance are all proposed to be provided by the following agencies:

<b>Service</b>	<b>Provider</b>	<b>Average Annual Increase</b>
Other Contract Services	Regional Planning Council, & Others	3%
County Contract Services	Lee County Government	5%

The annual increases for these services may fluctuate from year to year due to timing of one-time capital purchases.



Administrative and finance services increase approximately 3 percent each year. In addition, a 5 percent contingency factor has been included.

Revenues

The projected millage rate replaces the Lee County unincorporated MSTU ad valorem tax of 1.2114 mills, and the Lee County All Hazard ad valorem tax of 0.0733 mills.

The forecast assumes the following Captiva Island millage rates and property tax revenues:

<b>Fiscal Year</b>	<b>Millage Rate</b>	<b>Property Tax Revenues @ 95%</b>
2003	1.2847	\$1,276,7971,343,997
2004	1.2847	\$1,404,4761,478,397
2005	1.2847	\$1,544,9241,626,237
2006	1.2847	\$1,699,4161,788,861
2007	1.2847	\$1,869,3581,967,747

Based on budgeting 95 percent of projected ad valorem tax revenue, which is generally accepted by Florida municipal finance officers as a prudent practice.

Sales Tax and other shared revenues are estimated as:

<b>Fiscal Year</b>	<b>Projected Revenue</b>
2003	\$81,680
2004	\$84,950
2005	\$88,350
2006	\$91,880
2007	\$95,555

Franchise Fees are estimated as:

<b>Fiscal Year</b>	<b>Projected Revenue</b>
2003	83,200
2004	86,500
2005	89,960
2006	93,550



2007 \$97,292

The revenue projection of \$80,000 from Franchise Fees was developed on experience of the Town of Fort Myers Beach, prorated the different population and community profile.

The forecast does not include any revenues from court fines, building permits or licenses.

Interest rate earnings are anticipated to be \$5,000 in fiscal year 2003 and continue through fiscal year 2007.

Forecast Findings All the numbers in this section will need to be redone!!!! It will take some time. We will have to submit amended pages later.

Based on assumptions prepared by BJM Consulting, Inc., the following financial forecast is delineated as follows:

<b>Fiscal Year</b>	<b>Revenues</b>	<b>Expenses</b>	<b><u>Reserve</u></b>
2002	\$1,513,877	\$782,314	\$731,563
2003	\$1,654,847	\$785,537	\$869,310
2004	\$1,809,547	\$814,962	\$994,585
2005	\$1,979,291	\$849,561	\$1,129,730
2006	\$2,165,594	\$881,679	<u>\$1,283,915</u>

**Total Reserves After Five Years \$5,009,103**

**This equates to an average annual reserve of \$1,001,821 for the first five years.**

The proposed incorporation does impact the present flow of dollars to the Lee County All Hazards and Unincorporated MSTU Funds. Due to the high-assessed value of the island these revenues provide a positive cash flow to both County funds. This situation will give the Village great bargaining power with the County when entering into the interlocal agreements for services. Savings from these negotiations are projected in this forecast, but it would be reasonable to consider additional potential savings from this action.

#### Impact on the Homeowner

The following is intended to give Captiva Island property owners a better idea of the impact incorporation will have in terms of property taxes they will pay. **It is projected that the proposed incorporation will have no financial impact on property taxes. It is assumed that the millage levied by the Village will be the**

**same as that levied by Lee County's Unincorporated MSTU and All Hazards  
MSTU.**

The short-term financial position is due to the majority of municipal services being delivered through contractual relationships with the County. The growth in property values may not have an immediate positive financial impact to the new Village of Captiva. The financial projections clearly show that the State Shared Revenue, Franchise Fees, and other non-ad valorem revenues fall short of meeting the administrative cost of the City. The only way to cover this additional cost is the long-term impact of financial savings from ad valorem through contracting for services. These savings starts to show in the first year of the forecast, they could very well be greater.

**Capital Equipment**

\$6,000.00	3 - Exec. desks with chairs
25,000.00	3 - PC's with LAN and software and printer
500.00	3 - File Cabinets four drawer
400.00	1 - Typewriter
2,100.00	1 - Conference Table and Chairs (8)
5,000.00	1 - Recording system with P.A. abilities
750.00	6 - occasional chairs
150.00	2 - tables
450.00	3 - Book Cases
2,000.00	Miscellaneous Office Supplies
3,500.00	Copier
650.00	Fax machine
3,500.00	Telephones
\$50,000.00	Total