Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

INTRODUCTION

Bonita Springs is a fast growing residential community that lies in South Lee County. It is made up of everything from upscale gated communities to mobile home parks. There are many new commercial corridors developing along the major arterials that run through the area, and the beginnings of industrial developments are starting to emerge. The area also has an older commercial district that is run down and in the early stages of redevelopment. The proposed City of Bonita Springs lies between Fort Myers and Naples, and stretches from the Gulf of Mexico to the eastern border of Lee County. It is a large geographical area (33+/- square miles, or 21,120 acres), with the developed community existing between ecologically sensitive land to the East, and the Gulf to the West. The 1990 census set the Bonita Springs population at 16,891 permanent residents, the Lee County Department of Community Development estimates that the present permanent population is 23,186, while the seasonal population grows to an excess of 39,000 people. There are presently 15,810 registered voters in the Bonita Springs Fire Control and Rescue District

Bonita Springs is a well established community dating back to the 1850's with family roots going back many generations. The community has some of the necessary infrastructure (water, sewer, roads, and parks) in place. The driving economic force is a mix of agriculture, construction and tourism.

Community leaders in Bonita Springs are exploring the viability of incorporation. The primary goals of this consideration are:

1) "Home Rule" which would allow area residents to control the future destiny of their community.
2) Preservation of the present high quality of life.
3) Preserve the integrity of the fire district and the utility system.
4) Return a greater share of their Lee County tax dollars to the community.
5) Build a community centered local government to meet the needs of business and residents alike.

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 initial intent would be to

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

contract with the Bonita Springs Fire and Rescue District for continued services provided by that body. Law enforcement likely would remain a function of the Lee County Sheriff's Office. Planning, zoning and building inspections would remain a function of Lee County Government, but provided on a contractual basis. The proposal to contract for services with Lee County and the Southwest Florida Regional Planning Council is based on the existing success of such relationship already working in Lee County with the town of Fort Myers Beach.

On September 13, 1998, the Bonita Springs Incorporation Committee, Inc. signed a letter of engagement with BJM Consulting, Inc. This agreement directed BJM Consulting, Inc. to update a study completed for the Bonita Springs Chamber of Commerce on November 7, 1997, and produce an Incorporation Feasibility Study to submit to the Local Delegation. The original study was developed through a series of tasks approved by the Bonita Springs Chamber of Commerce and was to provide an impartial assessment of the tasks and present the findings to the community leaders. The assigned tasks were:

- A review of the existing services presently being provided in Bonita Springs.
- A review of the boundaries for the proposed incorporation area.
- Development of proposed incorporation revenue timeline, to determine the duration of initial loan for start-up cost.
- 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 Bonita Springs community, or with entities that conceivably would provide services to the Bonita Springs community on a contractual basis should the community become a city.

In addition to providing an independent assessment of the scope of services developed by the Bonita Springs Chamber of Commerce, BJM Consulting, Inc. has completed a SWOT (strengths, weaknesses, opportunities and threats) Analysis of incorporation for the

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

Bonita Springs Community. The intent has been to provide a concise yet thorough analysis of factors that the Bonita Springs 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

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

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 exist within the organization, while opportunities and threats are external factors. By identifying these conditions, citizens of the Bonita Springs 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 functions.

Overall Issues

Strengths:

- Bonita Springs is a large diverse community with much of the necessary infrastructure in place.
- Bonita Springs has a 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 existing zoning codes into the zoning regulations of a new city.
- There is existing support for a business-like look at incorporation by local residents.

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

- 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.
- The establishment of a new Four year university, Florida Gulf Coast University (FGCU) in Southeast Lee County will have a major impact on the growth of the area.
- The expansion of the Southwest International Airport will have a positive influence on the commercial development of South Lee County.

Weaknesses:

- Residents and business owners who are part-time non-registered voters will not have an influence on level-of-service discussions.
- Bonita Springs never has been through the State of Florida Comprehensive Planning Process required of cities. While it is anticipated that the Southwest Regional Planning staff will prepare the new city's comprehensive plan, this still will be a new exercise for the City.
- Bonita Springs never has established a relationship working with State and Federal agencies.
- Because of plans to provide many key services (law enforcement, fire, road maintenance, and planning and zoning), through inter-governmental agreements, quality control becomes a key issue.

Opportunities:

- Votes on incorporation are supported by members of the local delegation to the Florida House of Representatives and Florida Senate.

Local governmental agencies (Lee County Sheriff's Office, Bonita Springs Fire Control and Rescue District, Southwest Florida Regional Planning Council, and Lee County governmental staff) are willing to negotiate for the provision of services. This would allow Bonita Springs to determine the levels of service desired for the community rather

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

- boards or elected officials.
- Incorporation would give Bonita Springs "home rule" powers, as defined in the Florida Constitution, to protect the 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.
- Concerns about the impact of consolidation of the Fire Districts on local fire services would be laid to rest.
- Concerns with a County takeover of the utility system would no longer exist.

Threats:

- If an area outside of the existing fire district (to the North) is considered for possible incorporation, the residents of Estero would become a political adversary to the incorporation process. The inclusion of the whole Estero Fire District into the incorporation area may be received better by the neighbors to the North.
- The impact of the pending Army Corps of Engineers environmental impact study on southern Lee County is unknown, but the possibility of such a study's ability to limit future growth in the area must be considered.

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 the number of city employees while emphasizing contracting for services and private sector competition.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

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 City of Bonita Springs having to provide all services in-house or pay high costs to continue the services.

Opportunities

- Bonita Springs 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

- The potential inability to negotiate long-term agreements with contracting agencies for delivery of service could force the community to provide those services in-house.
- There is a potential need to establish in-house service providers in the future.
- There are no capital dollars identified in the budget to meet the infrastructure needs.

<u>Revenue</u>

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.

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

Weaknesses

- Overall reliance of property tax to balance the budget.
- Due to the fact that a large percentage of the residential properties are Homesteads, the Save Our Home Amendment could have the effect of loading the burden of local government on the remaining property owners.
- The existence of mobile home communities within a taxing district means that those residents will pay less than residents who live in single family structures for the same services. Manufactured housing makes up 30% of the residential units in Bonita Springs

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 Bonita Springs' need for capital dollars through grants and partnerships

Threats

- The inability to initiate revenue-raising capability if the timeline is not adhered to.
- The inability to develop the needed capital funds for the infrastructure needs of the area could end up with a State moratorium on building permits only within the City.

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

Contractual Services **(Law Enforcement, Fire Protection, 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.

Weaknesses

- The inability to control policy decisions made by agencies with whom contracts are formed. The Sheriff, Fire Commissioners and County Government staff all have outside interests that could conflict with the interests of Bonita Springs 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.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

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 law enforcement patrol or fire protection or hamper the city's ability to meet comprehensive plan submission deadline.

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

Task1
REVIEW OF EXISTING SERVICES

Bonita Springs is currently receiving services from Lee County Government. These services include maintenance of right of ways, parks, all development services, code enforcement, and other general governmental services. Water and sewer service is being provided by the Bonita Springs Utilities. Fire protection is provided by the Bonita Springs Fire and Rescue District. Law enforcement is the responsibility of the Lee County Sheriff's Department.

The Bonita Springs Community Redevelopment Agency is providing support of the Old US 41 area and is about to undertake some major capital improvements to the business district. Any other capital improvements would have to be included in the county's capital improvement program.

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

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

Task 2
A REVIEW OF BOUNDARIES FOR
THE PROPOSED
CITY OF BONITA SPRINGS

The area of study is the western half of the existing boundaries of the Bonita Springs Fire Control and Rescue District. This area is well defined and known by the residents of Bonita Springs and the surrounding communities. The area is approximately 33 square miles in South Lee County. The area is served in total by the Bonita Springs Utility Company. This is the area that is defined in the proposed charter and will be the area used as the basis for this study.

The new area of consideration for the proposed incorporation is approximately 33+/- square Miles, or 21,120 +/- acres (See Map). The Lee County Department of Community Development estimates the present permanent population for this area at 23,186. This equates to a population density of 1.1 per acre, and does not meet the minimum density requirement of 1.5 persons per acre. The proposed Charter will have to ask for a waiver from this requirement in the statute.

The proposed area is compact, contiguous, and amenable to a separate municipal government (See Map). The Northwest corner of the area comes within a third of a mile from the Southern most tip of the Town of Fort Myers Beach. The point where the two areas are too close to meet the State requirement is between barrier islands. The proposal to separate the two incorporated communities by using the geographical boundaries of barrier islands is common along Florida's coast, and needs to be addressed in the form of a waiver in the Charter.

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

Task 3
DEVELOPMENT OF A PROPOSED INCORPORATION/REVENUE TIMELINE FOR CITY OF BONITA SPRINGS

This study assumes the following incorporation/revenue timeline for the City of Bonita Springs:

Date	Activity
November 1997	Incorporation study is completed.
March 1998	Independent committee formed to facilitate community debate, and develop boilerplate charter.
December 1998	Committee presents feasibility study and charter in the form of a local bill to the Lee County Legislative Delegation meeting.
February 1999	Local bill goes to Florida Legislature.
May 1999 through November 1999	Community debates the pro's and con's of Incorporation.
November 2, 1999	Incorporation referendum passes.
March through April 2000	Council elections held.
December 2000	City becomes a legal entity.
March 2001	City begins receiving revenue sharing and sales tax (provided city charter is approved).
November 2001	City begins receiving ad valorem tax revenue.
July 2002	City receives first revenue sharing and sales tax if strict timeline is held.

Local governments run on an October l-September 30 fiscal cycle. The state of Florida however, follows a July 1-June 30 fiscal cycle. In order for newly incorporated Bonita Springs 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.

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

If Bonita Springs does become a legal entity by December 2000, it should begin receiving property tax revenues collected by the Lee County Tax collector in November 2001.

The important dates to remember are:

> Establishment of a tentative millage (following public hearings) on or before July 31, 2001.
> Adoption of a final millage rate (following two public hearings) on or before September 30, 2001.

With regard to state shared revenues, Bonita Springs 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."

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

Remember that the state operates on a July 1-June 30 fiscal year. Bonita Springs may not be eligible for state shared revenues until July 1, 2002, because of that time lag.

Revenue Timeline Findings

The City of Bonita Springs proposed revenue timeline projects state shared revenue as of March 2001, pending approval of the City Charter. If this does not occur, the July 2002 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.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

Task 4
DEVELOPMENT OF REVENUE ANALYSIS FOR CITY OF BONITA SPRINGS

For the purpose of this study the revenue analysis is based on the population and taxable value of the Western half of the Bonita Springs Fire Control and Rescue District only (+/-21,120 acres, and 23,186 population).

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 $l,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

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

$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 x .001=$200 x 5.0 mills = $1,000.)

All property taxes are due and payable on November 1 each year, or as soon as the assessment role 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.
The Bonita Springs Fire Control and Rescue District received its certificate of taxable value for the 1997 tax year in June, 1997. The taxable value is $ 2,591,616,673. Based on this certificate, Bonita Springs tax revenues for fiscal year 1997 per one mill levied can be projected as follows:

Taxable value	$2,591,616,673
x the percent	0.95
Revised Taxable Rate	$2,462,035,839
x millage rate	.001
Estimated Property Tax Revenues at 1 mill	$2,462,036

Ad Valorem Property Tax Findings

Historically, Bonita Springs property owners have taken advantage of the various discounts offered by the 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

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

tax revenues account for more than 58 percent of the total Bonita Springs 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

The Bonita Springs 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. Other Florida municipalities of comparable size, population and taxable property values generate an average of $2.5 million annually from this important revenue source.

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.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

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 Bonita Springs were incorporated, it would be exempt from county franchise fees. Adoption of these fees by Bonita Springs would produce revenue to the City with no additional fiscal impact on Bonita 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.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

User Fees Findings

The Bonita Springs analysis does not include revenues associated with user fees. Utility fees typically are budgeted as enterprise funds with capital items depreciated to account for the fact that they will need to be replaced. These funds generally operate on a break-even basis.

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.).

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

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 t he 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") are 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.

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

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.

<u>Ineligibility determination</u>

There are a number of ways that local governments are determined to be in noncompliance with revenue sharing eligibility requirements:

1) Local governments have not made provisions for post audits in a timely manner or filed financial reports with t he Department of Banking and Finance (ss. 11.45(3) and 218.32 F.S.);
2) Local governments missed the June 30 deadline to make application to the Department of Revenue for continued participation in the revenue sharing program (Chapter 12-10.008, Florida Administrative Code.);
3) Local governments failed to meet the eligibility requirements for law enforcement and firefighter employment standards (s218.23(1)(d) and (e), F.S.);
4) Local governments failed to meet the required levy of revenue equivalent to three mills (s.218.23(1)(c),F.S.);
5) Local governments failed to fulfill the millage rollback requirements (s. 200.065,F.S.); and
6) Local governments may have revenue sharing funds withheld or forfeited upon failure to comply with state mandates. For example, s.163.3184(11), F.S. authorizes the Administration Commission to find local governments ineligible for revenue sharing dollars if the local government's comprehensive plan
or plan amendment is not in compliance with requirements in Part II of Chapter 163, Florida Statutes, including consistency with the state comprehensive plan and the regional policy plan.

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

When 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:

1) 32.4 percent of net Cigarette Tax collections (s.210.20(2)(a),F.S.)
=64.5 percent of total Municipal Revenue Sharing
2) The one-cent Municipal Gas Tax (s.206.605(1),F.S.)
=35.2 percent of total Municipal Revenue Sharing
3) 25 percent of the State Alternative Fuel User Decal Fee (s.206.879(1),F.S.)
=0.3 percent of Total Municipal Revenue Sharing

JPursuant to s.218.245(2),F.S., an apportionment factor is calculated for each eligible municipality using a three factor additive formula consisting of the following equally weighted components: population, sales tax and relative ability to raise revenue.

1) Weighted population: The population of an eligible municipality is adjusted by multiplying the municipality's population by the adjustment factor for that particular population class. The weighted population factor is the ratio of the adjusted municipal population to the total adjusted population of all eligible municipalities in the state. The adjustment factors for each population class are:

Population Class	Adjustment Factor
0 - 2,000	1.000
2,001 - 5,000	1.135
5,001 - 20,000	1.425
20,001 - 50,000	1.709
more than - 50,000	1.791

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

$$\textbf{Weighted Population Factor} = \frac{\textbf{Municipality's Population x Adjustment Factor}}{\textbf{Total Adjusted Statewide Municipal Population}}$$

2) Sales tax: The municipality's sales tax allocation is the ratio of the eligible municipality's population to the total county population multiplied by the amount of county sales tax collections. The sales tax factor is computed by dividing the municipality's sales tax allocation by the total sales tax collections for all eligible municipalities.

$$\text{Sales Tax Allocation} = \frac{\text{Eligible Municipality's Population x County Sales Tax Collection}}{\text{Total County Population}}$$

$$\text{Sales Tax Factor} = \frac{\text{Municipality's Sales Tax Allocation}}{\text{Total Sales Tax Collections for All Eligible Municipalities}}$$

3) Relative Ability to raise revenue: The relative ability to raise revenue is determined by the following three factor formula involving a Levy Ratio Factor, a Recalculated Population Factor and a Relative Revenue Raising Ability Factor.

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.

$$\text{Municipality's Per Capita Assessed Value} = \frac{\text{Municipality's Property Valuation}}{\text{Municipal Population}}$$

$$\text{Statewide Per Capita Assessed Value} = \frac{\text{Statewide Municipalities' Property Valuation}}{\text{Total Statewide Municipal Population}}$$

$$\text{Levy Ratio} = \frac{\text{Statewide Per Capita Assessed Value}}{\text{Municipality's Per Capita Assessed Value}}$$

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

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655
Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

Recalculated Population = Levy Ratio x 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.

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

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 Moneys.

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

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

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 moneys in the trust fund are distributed to those municipalities that qualify to receive growth moneys. This final distribution to those eligible municipalities that qualify to receive additional moneys beyond the guaranteed entitlement is based on the ratio of additional moneys of each qualified municipality in proportion to the total additional moneys 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 moneys:

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

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

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 times 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.

State Shared Revenues

To meet the three mill minimum of local taxes to be eligible for SSR the following ad valorem tax revenue sources were used: 1.1604 City of Bonita Springs Tax, 1.8090 Bonita Springs Fire and Rescue District Tax, and .0715 Bonita Lighting District Tax. These local service providers would remain in effect if incorporation became a reality, together their local millage is 3.0409 mills which exceeds the requirement.

The issue of the timing of the SSR to the new town of Bonita Springs will be addressed in the Charter.

Municipal Revenue Sharing Findings

Based on projections from the State of Florida Department of Revenue--Office of Tax Research, municipal revenue sharing moneys for Bonita Springs in fiscal year 1999-00 are estimated at **$374,827.** .

The accuracy of this projection is demonstrated when compared to similar computations used for the following communities and compared to actual revenues received.

Jurisdiction	FY 96	FY 95	FY94	FY93
Cape Coral:				
State Projection	1,617,678	1,584,275	1,532,056	1,559,491
Actual	1,804,279	1,770,859	1,659,767	1,718,273
Fort Myers:				
State Projection	1,099,200	1,086,899	1,069,090	1,118,409
Actual	1,170,329	1,064,469	976,771	1,177,628

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

The above statistics demonstrate the relative conservatism of the state's estimating technique, which projects a 95 percent distribution as its annual estimate. The 95 percent estimate should be used by Bonita Springs to project revenue sharing funds.

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.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

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 Bonita Springs in fiscal year 1999-00 is estimated at **$1,528,454.** .

The accuracy of this projection is demonstrated when compared to similar computations used for the following communities and compared to actual revenues received:

Jurisdiction	**FY 96**	**FY 95**	**FY94**	**FY93**
Cape Coral:				
State Projection	5,376,842	5,196,118	4,633,275	4,206,744
Actual	5,165,526	4,940,220	4,655,682	3,953,081
Fort Myers:				
State Projection	2,943,644	2,870,948	2,624,903	2,481,858
Actual	2,852,804	2,734,541	2,653,084	2,496,850

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

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

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.

Two-Cent Cigarette Tax

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.

Distribution

For each pack of cigarettes sold, 1.966 cents or 5.8 percent of the 33.9 cents of tax levied on each pack of cigarettes is distributed monthly to municipalities through the Municipal Assistance Trust Fund using the following three step formula:

$$\text{1) County Allocation} = \frac{\text{Number of Cigarettes Packs sold in County}}{\text{Number of Cigarettes Packs sold Statewide}} \times \text{Amount in the Trust Fund Available for Distribution}$$

$$\text{2) Distribution Factor} = \frac{\text{Eligible Municipality Population}}{\text{County-wide Eligible Municipal Population}}$$

$$\text{3) Municipality's Share} = \text{Distribution Factor} \times \text{County Allocation}$$

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

The latest official population estimates were used to calculate each municipality's distribution factor. The county allocation is based on the number of packs distributed by wholesalers in the county as a percentage of those distributed statewide during the previous 30-60 days, times the amount of revenue available for distribution.

Authorized Use

Pursuant to s.200.132(1), F.S., municipalities may consider cigarette tax revenue as general revenue and use the allocation for any public purpose.

Two Cent Cigarette Tax Findings

Based on projections from the State of Florida Department of Revenue--Office of Tax Research, Two Cent Cigarette Tax distribution to Bonita Springs in fiscal year 1999-00 is estimated at **$104,583.**

The accuracy of this projection is demonstrated when compared to similar computations used for the following communities and compared to actual revenues received:

Jurisdiction	**FY 96**	**FY 95**	**FY94**	**FY93**
Cape Coral:				
State Projection	446,549	445,165	426,272	443,663
Actual	475,621	473,014	437,963	426,430
Fort Myers:				
State Projection	255,420	245,962	241,497	261,748
Actual	253,938	258,670	248,727	248,885

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.

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

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:

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

A) Building and Related Construction Permits
Includes revenue for issuance of all building, plumbing, electrical, mechanical, heating/air conditioning and similar construction permits.
B) Stormwater
Fees charged for review and inspection of projects requiring stormwater 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.

<u>Licenses and Permits Findings</u>

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 staff through interlocal agreement.

<u>Fines and Forfeitures</u>

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.

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

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 City's ability to be eligible for such funds.

Mobil Home License Fees

Chapter 320, Florida Statutes, allocates one half of mobile home license fees (after $2 deduction by the department of revenue) to the County School Board and the county in which the fee was collected. The remainder goes to the municipality in which the home is located or to the county if the home is in an un-incorporated area.

Mobile Home License Fees Findings

An estimate of this revenue source is **$25,000**.

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 Bonita Springs 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.

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

Investment Income Findings

This incorporates investment income ranging from **$39,000** in fiscal year 2000 to **$185,000** by fiscal year 2005.

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**

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

interlocal agreement with the County, with the exception of the Town of Fort Myers Beach which was limited to the amount allowed under the statutory formula. Recently Lee County imposed an additional 5 cents 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 City to remain with the status quo. The County would retain the City's portion of the tax and the County would continue to provide the present level of service through an negotiated interlocal agreement.

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

TASK 5

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 Bonita Springs 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.

Utilities

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

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

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 is 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

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

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.

Storm Water 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 storm water runoff attributable to roads, streets or roadside drainage.

In the past, storm water-related functions were traditionally handled as a general government service funded through the municipality's general fund. Recently some local governments have established a storm water 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 storm water 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 excludes 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.

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

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 privies 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, waste water, 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 fund, non-ad valorem revenues.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

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 **$404,000** in administrative and finance expenditures and an additional **$2,963,420** for growth management, legal, police, professional planning services, and general government support. These expenditures are for a combination of municipal employees and contractual services as shown below

Municipal Employees

Position	**Proposed Salary**	**Fla. League of Cities Avg. Salary**
City Manager/Finance Director	$75,000	$77,790
Comptroller/Contract Admin.	$55,000	$57,300
City Clerk/Treasure	$45,000	$48,500
Administrative Assistant	$28,000	$29,300

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

Contractual Services

Contract Services	Proposed Cost
Legal Services	$75,000
Growth Management	50,000
Professional Services	25,000
County Government	2,813,420
Total	**$2,963,420**

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.

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

Personnel	$274,050
Operating	49,950
Capital	50,000
Contingency	30,000
Total	**$404,000**

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 Bonita Springs.

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

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

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

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 10 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 Bonita Springs 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.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

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 City of Bonita Springs based on fiscal years 2000 through 2004. BJM Consulting, Inc. has developed the assumptions used in this financial forecast and presents its findings as follows:

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

Population

The population projections for growth are from the Lee County Department of Community Development, and the Bonita Springs Fire and Rescue District. Annual reports, 20 year plans and staff interviews were all reviewed to determine the population numbers.

The current permanent population is estimated at 23,186 and total population (with seasonal residents) is estimated to approach 39,000. The growth in population is projected to increase to 30,386 in FY 2004, with a peak population of 51,900. Population growth was projected forward based on five years of historical data from the fire district. The number of new residential units were tracked, and it was determined that there was an average of 1000 units being built each year. The total number of residential units presently in the district was divided into the population of the district to determine the permanent residents per residential units. It was determined that there are 1.2 permanent residents per unit. Multiplying 1.2 residents times 1000 units per year lead to the growth projection of 1200 new residents per year. This projection is consistent with previous growth patterns and other studies of the South Lee County Area.

Property Tax Base

The property tax base is projected to increase an average 10.5 percent from fiscal year 2000 through 2004. In addition, the Bonita Springs forecast assumes a 3.3 percent average reduction in total tax base due to discounts received from early payment of property taxes. In light of these adjustments, the taxable assessed value in Bonita Springs is projected at $2,591,616,673 for fiscal year 2000 and is expected to increase to $3.864 billion in fiscal year 2003.

On Jan. 1, 1995, the "Save Our Homes" legislation became effective. This legislation will cap future increases in assessed property values on Homestead residential property to the consumer price index or 3 percent, whichever is lower. (These limitations are on assessed property valuations until the property changes hands.) As a result, new construction and increased value on non-homestead property will be the only significant contribution to growth in the property tax base through the year 2004.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

Expenditures

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

Service	Provider	Average Annual Increase
Contract Services	Regional Planning Council, & Others	3%
General Government Support	Lee County Government	10.5%

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.

In order to staff the administration and finance startup phase prior to the collection of revenues, the forecast assumes a loan of $500,000 in fiscal year 2000 to be repaid in fiscal year 2004.

Revenues

The forecast assumes the following Bonita Springs millage rates and property tax revenues based on the original study area of the Bonita Springs Fire and Rescue District.

Fiscal Year	Millage Rate	Property Tax Revenues @ 95%
2000	1.1604	$2,856,964
2001	1.1604	$3,156,945
2002	1.1604	$3,488,424
2003	1.1604	$3,854,709
2004	1.1604	$4,259,453

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

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

These projected millage rates compensate for the elimination of Lee County's MSTU ad valorem tax of 1.1604 mills

Sales Tax and other shared revenues for the smaller area and population are estimated as:

Fiscal Year	Projected Revenue
2001	$2,032,857
2002	$2,093,843
2003	$2,156,658
2004	$2,221,358

Franchise Fees are estimated as:

Fiscal	Projected Revenue
2000	$144,955
2001	149,303
2002	153,782
2003	158,396
2004	163,148

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

Interest rate earnings are anticipated to increase from $39,000 in fiscal year 2000 to $185,000 by fiscal year 2004.

Forecast Findings

There is a positive impact to the fiscal forecast due to the reduction in the size of the proposed area of incorporation. Using the State Shared Revenue (SSR) estimated for FY 98/99 for Bonita Springs, in the State's Department of Revenue memorandum to Lisa C. Cervenka, dated August 31, 1998, the SSR is projected to be $2,277,529 for a population of 26,300. This works out to be $86.60 / permanent resident.

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

The Lee County Division of Community Development estimates the permanent population of the smaller proposed incorporation area is 23,186. The new projected amount of SSR for Bonita Springs is $2,007,857. This is a reduction of $127,068 to the first year revenues that were used in the first study.

There are corresponding reductions in the cost associated with contracting for services with Lee County. Using a cost of service per resident of $130 based on the original study's projections, there is a decrease in the County's contract of $157,820 in the first year. Since all the numbers are estimates and the difference adds only $30,752 to the balance in the year 2000, the recommendation is that the original five year fiscal forecast is still valid.

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

Fiscal Year	Revenues	Expenses	Balance
2000	$4,103,393	$3,525,240	$578,153
2001	$5,567,173	$3,853,843	$1,713,330
2002	$6,003,928	$4,215,700	$1,788,228
2003	$6,478,569	$4,614,268	$1,864,301
2004	$6,992,809	$5,053,363	$1,939,446
			$7,833,458

Another concern in the original study was the major unfunded liabilities in the area infrastructure (drainage and local roads) that were not funded by any taxing authority. The reduced area now being considered for incorporation has fewer unfunded liabilities in its infrastructure, since most of the concerns for drainage improvements and unpaved residential streets were East of I-75 and have been eliminated from the proposal. This will have a positive impact on the financial viability of the new community being able to meet its short term capital project needs.

The committee also went through a very thorough investigation of the unfunded liabilities, and determined that other taxing authorities have plan for and budgeted the necessary dollars for many of the needed improvements.

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

Impact on the Homeowner

The following projections are intended to give Bonita Springs 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 the property taxes. It is assumed that the millage levied by the City will be the same as that levied by the County for each new fiscal year.

The scenario projected in this study does not include an increase to the present Lee County MSTU millage of 1.1604 over the next Six years. As such, it is impossible to project a savings or additional cost to the property owners with any real amount of accuracy. Since the majority of municipal services are being delivered through the County the property taxes become a wash to the new City of Bonita Springs. The financial projections clearly show that the State Shared Revenue, Franchise Fees, and other revenues exceed the administrative cost of the City.

BJM Consulting, Inc.

Joseph M. Mazurkiewicz Jr.
President
PO Box PO Box 101655
Cape Coral, Florida 33910-1655

Telephone 239-282-2186
Fax 239-282-8253
Email: Joe@BJMConsult.com

City of Bonita Springs Expenditures

FY 99/00 9 months

(No Change in level of service)

Contract services with Lee County (4% Admin.)	114,240.00
Personnel Salary (4)	125,250.00
Personnel Benefits @ 35%	43,840.00
Legal Services	75,000.00
Audit	12,000.00
Insurance	7,500.00
Administrative overhead @ 15%	18,790.00
Start-up Capital (see list)	50,000.00
Growth Mgmt. Planning	50,000.00
Contingency/Reserve (5% of A.O.B.)	30,000.00
Professional Services	25,000.00
(9 months) FY 99/00 Total	$551,620.00

Capital Equipment

$6,000.00	4 - Exec. Desk with chairs
25,000.00	4 - PC's with LAN and software and printer
500.00	4 - 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