

Matlacha-Pine Island Incorporation Feasibility Study

Prepared by



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INTRODUCTION

Matlacha-Pine Island is the largest island (18 miles long, 2 miles wide with five unique communities) off Florida's Southwestern Gulf coast. It is located in Lee County just to the west of Cape Coral. It has a secluded, small town atmosphere making it very unique in Southwest Florida! Surrounded by mangroves, three aquatic preserves, acres of palm, tropical plant and fruit groves; the community has escaped the cement and skyscraper development so predominant on other Florida islands. It is made up of everything from upscale communities of majestic water front homes, to tract houses that represent a look back at the earlier lifestyles of a Southwest Florida fishing village. There is a unique commercial area on Matlacha that present a mix of restaurants, shops, and art galleries which attracts visitors year around.

The community is built around two road ways, Pine Island Road is the entry way and is the major East-West road in the community, there is a small but important commercial area near the intersection of Pine Island Road and Stringfellow the major North-South Road in the community. The five unique communities located in the area proposed for incorporation are: Matlacha, Pine Island Center, Bokeelia, Pineland, and St. James City. There is limited commercial areas along Stringfellow and some neighborhood commercial located in Bokeelia, St James City and to a lesser extent Pineland

The proposed Village of Matlacha-Pine Island is located along Florida's Southwest coast at the central to northern end of Lee County. The 2017 population is estimated to be well over 10,000 based on the 2010 census and exiting utility accounts, with seasonal residents increasing that number. It is estimated that the community's present permanent population is 9,200, the seasonal population grows to an excess of 15,000 people. There are

approximately 7,148 registered voters in Matlacha-Pine Island.

The driving economic force is a mix of tourism, agriculture, fishing, retail, construction, and the service industry.

Community leaders in Matlacha-Pine Island 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 unique quality of life.
- 3) Prevent any further annexations by the City of Cape Coral.
- 4) Return a greater share of their Lee County MSTU tax dollars to the community.
- 5) Hang on to the existing Pine Island Community Plan.

The residents of Matlacha-Pine Island prefer the Home Rule powers afforded them by a municipal government. The Village has established its own identity and wants to protect its unique way of life, incorporation is not about changing the area, but protecting the area. Matlacha-Pine Island wants to retain its unique culture. The idea driving incorporating, is the Village can look after its own needs and work with the county to achieve the goals of all the citizens. The incorporation would give the community a chance to actively engage in self-governance and preservation of an established lifestyle and community environment.

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 work with the Matlacha Pine Island Fire and Rescue to continue services provided by that body. Law enforcement likely would remain a function of the Lee County Sheriff's Office, with the levels of service established through a contract. Planning, zoning and building inspections would remain a function of Lee County Government, but provided on a contractual basis.

In January 2017 the Greater Pine Island Civic Association. signed a letter of engagement with BJM Consulting, Inc. This agreement directed BJM Consulting, Inc. to review a series of tasks approved by the group and 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 Matlacha-Pine Island.
- Development of proposed incorporation revenue timeline.
- 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 government budget officials and compared to projections provided by the State of Florida. In addition to developing these initial financial projections, BJM Consulting, Inc. conducted a series of interviews with parties involved in the Matlacha-Pine Island community, or with entities that conceivably would provide services to the Matlacha-Pine Island community on a contractual basis should the community become a Village.

In preparation for this report BJM Consulting, Inc. reviewed many Lee County government web sites conducted a comprehensive guided tour of the area proposed for incorporation and spoke with community and governmental leaders.

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 Matlacha-Pine Island Community. The intent is to provide a concise yet thorough analysis of factors that the Matlacha-Pine Island residents would need to consider when formulating a decision on whether to pursue incorporation of their community.

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EXECUTIVE SUMMARY

SWOT ANALYSIS

The basis of a SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis is to identify the current conditions of an organization/area in four areas. Strengths and weaknesses are areas of concern that presently exist within the organization/area, while opportunities and threats are external and future factors. By identifying these conditions, citizens of the Greater Pine 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:

- Kind, friendly people and organizations
- Coastal rural island community made up of mostly middle income families
- Great environmental opportunities (kayak, hiking, birding) along with good cultural activities (art, music)
- Rural character and open space
- Existing development restrictions that limit density and building height
- Boating and water access
- Relaxes lifestyle
- It has many conservation areas for wildlife habitat, and for people to interact with nature
- It is the best frost resistant area for agriculture
- It is ideal area for commercial fishing and aqua culture
- Historic Strength: Common heritage as a fishing community which is still doing business on the island, living a rural life based upon the abundant ecosystem that surrounds it

- Present Cohesive Strength: Members of the community seem to care about their island because of geographic boundaries and the common ecosystem that binds them, helping islanders to define “who is our own that we care for”
- Conviction Strength: Resident Pine Islanders are diverse yet tough with plenty of conviction when it comes to protecting what is precious to them
- Minimal day-to-day governmental oversight
- Ability to live free without excessive code enforcement
- Independent fire district and water association
- Strong civic organizations
- Community service organizations such as the United Way Beacon of HOPE and island churches meeting many needs
- The lack of beaches. Big developers desire beaches.
- Pine Island will never be a Sanibel or Fort Myers Beach (as many “warn”) because the island is surrounded by mangrove. I consider this our strongest, most positive strength.
- The island desalinization plant
- Boat ramps providing access to the outer islands
- A Grade “A” elementary school
- It has Matlacha (Lee County’s best and true “village”)
- It has many conservation and open space areas
- Area has a diverse housing stock from workforce to high end waterfront

Weaknesses:

- Matlacha traffic especially with draw bridge
- Poor political representation at Lee County
- Poor medical care, rehab, and housing for elderly
- Lack of controls on land use plan
- No defense against annexations
- Many unpaved private roads
- Current providers of water and fire protection will have to be more efficient in providing those services as the community continues to grow with limited revenues
- Limited tax base due to agricultural exemptions and hundreds of mobile homes
- It is a small area of Lee County whose interests can be overpowered by other larger area interests of Lee County
- We have a large seasonal population, and that creates boom or bust business cycles
- We need to create commercial opportunities
- Our large retirement population is apathetic to our issues

- Not Quite Alert To What Is Going On: I believe the whole community is not fully aware of the magnitude of the threat against its rural way of life with regard to ecological threats to both the fragile hydrology and the ecosystem through the wrong type of development.
- Not Fully Aware of Consequences of Not Knowing: Also the community is perhaps not fully aware of a possible rural lifestyle disruption by improperly dense developments, loss of habitat, and an outside aggressive-takeover attitude toward the current island's way of life seeking to change it from rural to urban
- Fragmentation of Community: Another weakness is vulnerability to fragmentation through one-platted-property-sold one-at-a-time and then being developed in a city-like manner, perhaps not according to a rural standard, and therefore being removed from the overall ecosystem. Healthy environments are better supported with advance, large-scale, land planning. This is a necessity for our island.
- Lack of Authority to Self-Govern: Another weakness is lack of citizen/resident authority or self-governing authority concerning the specific needs of a unique island like Pine Island, and being governed by people who perhaps have never seen the island, or consider it an extension of the mainland, which it is not. It is in an entirely different ecosystem, and the rules should be different just for this island regarding architecture, signs, roads, density, etc.
- Lack of Knowledge of Ecosystem Threats and Needs: Pine Island is much too vulnerable to decision-making from afar—regarding sea level changes, for example. Pine Island does not have sufficient protection from hurricanes in the form of wider mangrove barriers and mangrove protection. The island has “some” protection through Calusa Land Trust efforts and so forth, but in the last 80 years, according to National Geodetic Survey Markers off Big Panther Key (adjacent to Pine Island's west side), while sea level has risen 4 inches, the mangrove buffers receded between 19 and 26 feet. (Source: Terry Tattar, U Mass, 2005-2006 Study) That is a lot of shoreline to lose. Mangroves need to move inland when sea level rises. Is there enough room to allow them to move inland on Pine Island and on the west shore of Cape Coral? Who is going to think to protect us? Governors of Cape Coral? Governors of Lee County? Or Governors of Pine Island?
- Vulnerability to Wrong Type of Development: Pine Island is threatened by the wrong type of development. Cape Coral is already a dredge-and-fill community—canals causing the worst type of development in terms of the aquifer, allowing salt water to enter a freshwater aquifer, changing the plant communities, killing indigenous species, and polluting the waters. To be governed by an off-island city council is too dangerous, ecologically speaking. To

be governed by Lee County commissioners serving other districts with higher elevations is too risky—they just don't take OUR reality into consideration, and in so doing, they put our lives and lifestyles at risk.

- No visible capital improvement plans for the island (e.g., roads and sewer.)
- Minimal community meeting/gathering locations
- Presently there is a very serious issue with failing septic systems around the island. In addition to private residences, there are large community septic systems (package plants) that have been abandoned, that can pollute ground water.
- Present representation of the island at the county level is non-existent
- Large population of seasonal residents
- Both generational and situational poverty
- Large percentage of students needing meal assistance
- The groupthink of individual rights/desires over that of the people
- Drop-out rate of island students not earning a high school diploma
- Younger generation drug-related crime and addiction
- Fort Myers and Cape Coral workers buying homes on Pine Island, essentially using the island as a bedroom community, with their “real lives” tied to the mainland
- Many full-time residents do not have transportation, depending entirely on others for commuting to the mainland to meet these needs
- Lack of business and industry-producing jobs
- Density, traffic and evacuation times have tripled since 2000
- Lack of political maturity; any and all change is opposed. A good example is the 2015 Pine Island Plan restudy that was desperately needed to keep everything lawful and to avoid costly land use litigation. But in spite of being briefed repeatedly it was opposed by the community's “leadership”. Currently the County picks up the land use litigation bill.
- It is a very large and geographically dispersed area, with a very thin permanent population bases and tax base; the Pine Island Community does not have are true central core area.
- Outdated and/or non-existent infrastructure; water quality problems caused by septic tanks
- Code violations are numerous in many subdivisions
- Little to no stormwater treatment in Matlacha
- Subject to Lake O's discharges which down grade our water quality

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

Opportunities:

- Incorporation will allow residents of Pine Island to have total control; over land use and protection from future annexations
- Be able to manage water and wildlife issues from an island perspective
- Community will have greater control over future architecture and design requirement
- Develop a reputation for Pine Island and Matlacha as an eco-friendly destination. People will pay a premium price for residences on acreage in a natural rural environment. Large “Heartland lots” are becoming very desirable. All the strengths of our community will increase appraised property values and increase future tax revenue.
- Bed and breakfasts operations could ride the eco-friendly trend, and offer kayaking, hiking and biking as an attraction. This is a low impact commerce
- Control new development. As waterfront lots get sold out, that will increase our community’s value. Other resort and vacation communities of Islands and Peninsulas have increased their remaining inland properties values proportionally with a marketing campaign that reflects our present large lot rural zoning. New developments should be encouraged similar to some existing inland Island homes. They should be a minimum of 2 1/2 acre lots with a central open home site meadow and a self-contained pond. Wide native pine and palm setbacks will create a natural wildlife environment, and a visual buffer between homes. There is a market for this type of privacy.
- High income specialty crops of fruits and nuts could be planted to capitalize on our frost resistant location. Processing plants could be developed for more commercial value.
- Aqua culture of shellfish and shrimp could be promoted. Salted Mullet Roe processing could be developed. These would also add more commercial value.
- Develop a public relations program to educate our citizens on steps they can take to improve storm water quality runoff. Also, educate the public that proper septic system maintenance can indefinitely extend the life of the system.
- Expand the Golf Cart road system to reduce car traffic. Get easements through existing vacant land and new developments to connect the existing allowed Golf Cart Areas together.

- Opportunity to Preserve: Preservation of a rural community with trees and plant communities that sustain humans, protect our waters, sustain native plants and native wildlife. Preservation of acreage allows room for this fragile ecosystem to continue to protect the island and its inhabitants, and remain fertile and productive and free of city pollutants or hard surfaces (which harm human surfaces and sensory organs, harm human health, and harm plants and animals.)
- Opportunity to Prevent Destruction of What Is Good and Already Working and Productive: Prevention of destructive types of development while allowing city planning to include or require ecofriendly buildings, ecofriendly roads, ecofriendly practices, ecofriendly tourism, and taking into consideration just how much and what kind of human activity this place can handle, then sticking to the plan to keep it this way for future generations.
- Opportunity to Make Money by Focusing on Ecotourism, Creative Arts, Fishing, and Preservation of Natural Assets for the Benefit of All.
- Define the island community as a larger community with villages, that leverages each for the betterment of the greater
- Votes on incorporation have been historically supported by members of the local delegation to the Florida House of Representatives and Florida Senate.
- Local governmental agencies (Lee County Sheriff's Office, Lee County governmental staff) are willing to negotiate for the provision of services. This would allow Matlacha-Pine Island to determine the levels of service desired for the community rather than rely on outside boards or elected officials
- Incorporation would give Pine Island "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 community could negotiate with Lee County for control of County impact fees collected within the incorporated area
- A local government located within the community could react to citizens' concerns much sooner than the existing situation
- The establishment of a local government within the community would eliminate the influences of out of area special interest groups
- The control of all community public rights-of-ways and easements would come under the purview of the new local government
- The new local government could foster the right type of growth and attract spirited, educated, dedicated community oriented people
- We can stand for environmental issues that will keep our waters clean
- We can help the fishermen to keep their businesses alive
- Provide for improved traffic flow through Matlacha
- Ensure greater Pine Island area has a seat at the table with other

- cities, County and State
- Large lot rural communities and subdivisions

Threats:

- Global warming and natural disasters
- The continue encroachment by Cape Coral
- Increase taxes and fees
- Future changes in the Pine Island Plan governed by changing politics of the Board of County Commission
- Staff at the Florida House Committee for Federal and Local Government have raised many new issues regarding incorporation feasibility reports
- Members and Leadership in the Florida House of Representatives are reluctant to create new cities
- Lack of funds to deal with future transportation issues which will come with more growth
- There is restricted traffic flow through Matlacha from Pine Island. This effects emergency, fire and medical transportation times.
- The water quality is degrading and that would reduce property values
- High density development pressures will work to annex more of Matlacha and possibly Northern Pine Island. Real estate speculators will work to revise the Pine Island Plan's height limitations and the minimum 2.7 acre per dwelling density.
- Big money developers and real estate speculators will finance candidates' election campaigns and revise the Pine Island Plan.
- Potential Neglect by Leaders not fully cognizant of the unique needs of this island, or worse, hostility from leaders with an outside agenda to change the island into something it is not and could never be sustained
- Potential Economic Disaster for current residents unable to sustain themselves in the face of loss of ecosystem due to an invasive society, and potential loss of a community spirit that today supports us and keeps us psychologically healthy and physically healthy just by remaining intact
- Potential Loss of Healthy Ecotourism would be a disaster, because it is already peaceful and expressive and celebratory for the community of people, plants, and animals—We love this place and therefore we love each other and we love hosting our visitors who respect our lands and waters
- Potential Intrusion of fake society with false values that do not reflect our heritage going back thousands of years—
- Commercial values based on fake economics which is not really sustainable—putting on airs, failing to celebrate a sense of place

that is worthy in its own right (example: Tuscan architecture is fake whereas “Old Florida” architecture is more adapted to this area), thus attracting a type of commercial, concrete takeover that is anathema to the harmony of the ecosystem lifestyle which already nurtures 500 different species plus humans

- Deterioration of aging infrastructure
- Over development, congestion and stress on environment, i.e. King Ranch
- Lack of participation – low voter turnout facilitates undue influence by special interest groups
- If we incorporate, new government structure that becomes fanatic about one issue at the expense of others
- Liability lawsuits, if we incorporate
- If we don't incorporate, there is a real threat that Cape Coral may continue to annex
- If we don't incorporate, zoning of the community can be changed at the County level, possibly ignoring community input
- Matlacha will not be represented properly , since it has separate needs and is environmentally based
- The attitude of, “I've got mine and I don't want anyone else to have any.”
- The continual 10-year (+ /-) turn-around of new residents. New retirees purchase homes and live either full-time or part-time on the island for approximately ten years. Then, they sell and move back “home” to be near family or healthcare. This transient population plays a role in the current flavor of the island; some are uneducated in island politics but enjoy the excitement of participating in a cause, while others are apathetic.
- The politically dominant NIMBY attitudes historically have and will continue to cause cost land use litigation. If the area becomes incorporated then the vocal minority will oppose all change, leading to costly, unproductive and ultimately losing land use litigation. The community, if incorporated, will be exposed to millions of dollars of potential liability. This exposure will lead to tax increases.
- Huge exposure to tropical storms and other coastal hazards, including sea level rise. One bad storm can cause massive problems, resulting in tax increases.
- The population base is thin, housing values comparatively low (see Fort Myers Beach, Bonita, Sanibel), agriculture lands dominate land values and keep the tax base low. The threat is that these facts will not substantially change, leading to average and below average income homeowners not being able to afford city taxes and being forced off the island. FYI the community has 15,885 acres in Conservation and 4,118 in Ag (20,003), compared to 6,107 in Residential and Commercial. The 2014 property tax revenues from the community were \$3,793,155.

- Not getting a fair share of infrastructure funding.
- My concern is that ultimately city as large and as sparsely populated as the Greater Pine Island community is not financially feasible. It will lead to average income homeowners being forced off the island, and above average income homeowners being financially stressed.
- Cape Royal choosing to opt out of the incorporation effort reduced the revenues and population and created an enclave of unincorporated Lee County
- Existing private non-paved roads petitioning to become public paved street
- Lake O's toxic discharges
- There is uncertainty concerning the ability to continue the present Lee County Transfer Development Rights program from on island density to off island locations after incorporation

The next three sections examine conditions associated with the "Government Lite" 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 town 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 local government of Pine Island having to provide all services in-house or pay high costs to continue the services

Opportunities

- Pine Island would have the ability to implement an innovative, lean and progressive municipal government organization focused on supplying specific levels of service
- The town would have the ability to negotiate specific levels of

service from other governmental or private organizations that already provide services to or near the community

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 limited dollars identified in the budget to meet the Disaster Reserve needs

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 available to Florida municipalities
- A history of growth in assessed property values

Weaknesses

- Overall reliance initially on 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

Opportunities

- The ability to petition the State Legislature in order to receive state shared revenues one year earlier than allowed by statutes
- The ability to alter revenue mix bases on the desires of the community
- The ability to negotiate with other governmental bodies on behalf of Pine Island's need for capital dollars through grants and partnerships

Threats

- The inability to initiate revenue-raising capability for State Share Revenues and Communication Services Tax if the timeline is not adhered to.

- The inability to develop the needed funds for the disaster reserves could bring about a need for increase taxes in the early years of the incorporation

Contractual Services (Law Enforcement, 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 other local governments for services setting up a competitive environment

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 Pine Island 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 town would allow policy makers and citizens to keep the initial costs of municipal government to a minimum by avoiding extensive capital costs
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- 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 contracts

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 town without essential services such as law enforcement patrol or fire protection, or hamper the town's ability to meet comprehensive plan submission deadline

Task1
REVIEW OF EXISTING SERVICES

Matlacha-Pine Island is currently receiving services from Lee County Government. These services include maintenance of right-of-ways, parks, all developmental services, code enforcement, library, cultural services and other general governmental services. Water is being provided by Pine Island Water Association and sewer service is provided by Lee County Utilities and some private sewer treatment package plants. Fire protection is provided by the Matlacha Pine Island Fire District. Law enforcement is the responsibility of the Lee County Sheriff's Department. Emergency Medical Services are being provided by Lee County EMS.

Other government services are being provided by the Lee County Court, the Circuit Court of the Twentieth Judicial Circuit, the Second District Court of Appeals, Lee County All Hazard Protection District South Florida Water Management District, Lee County Hyacinth Control, Lee County Mosquito Control, and the West Coast Inland Navigation District. There will be no initial impact on these districts due to incorporation. The area will still be serviced by the Lee County School District without any change or impact on the system. Transportation services are provided by Lee MPO and will continue to be provided after incorporation. The only difference is the Village may have a seat on the MPO providing local representation and oversight for these services. There are small Lee County MSTU's for various services, capital and maintenance programs within the area proposed for incorporation. These will continue to operate as they are now, but will need to be addressed through an interlocal agreement between the Village and Lee County during the initial years after incorporation.

The Lee County Sheriff will continue to provide the present level of service to the new Village. This is done under the direction of the Florida Constitution defining the Sheriff as the Chief Law Enforcement Officer in each of the Counties in the State. Lee County presently funds the Sheriff's office through their general fund ad valorem millage. After incorporation all properties within the area proposed for incorporation will continue to pay the Lee County general fund ad valorem millage to support the continuation of these services within the Village at the present levels of service.

Other services are provided by private sector companies. Power is provided by Lee County Electric Cooperative and phone/cable service by Century Link and Comcast. Solid waste hauling and disposal is provided by Waste Pro through a franchise agreement with Lee County.

Present land use characteristics of Matlacha-Pine Island include residential, commercial, conservation, public facilities, and institutional designations with some industrial areas mixed in. Attached is a copy of the Matlacha-Pine Island

Land Use Map as (**See Map Appendix 1**). The listing of existing Lee County land uses are included on Appendix 1. As of August 29, 2017, there are pending and received land use and zoning cases in the proposed area of incorporation. (**See Cases in Appendix 3**) Lee County does have a community plan known as the Pine Island Community Plan for the area.

The area considered for the proposed incorporation is approximately 43+/- square Miles, or 27,520 +/- acres (**See Map Appendix 2**). The estimated permanent population for this area at 9,200, this equates to a population density of .33 persons per acre which less than the minimum density requirement of 1.5 persons per acre required by the statues for incorporation. The local bill for incorporation will have to request a waiver from this requirement. In support of the requested waiver large areas of Matlacha-Pine Island are preserves and agriculture areas and will not be developed in any fashion to support additional population centers.

The proposed area is compact, contiguous, and amenable to a separate municipal government (**See Map Appendix 2**). It has an estimated population of 9,200 which exceeds the 5000 required by the statues.

The estimated population for Matlacha-Pine Island of 9,200 was based on Matlacha Pine Island Fire District data, Census tract data and reduced by the estimated population of Cape Royal of 800. In addition we took 70% of the remaining ERU's in the area proposed for incorporation that were not serviced by Pine Island Water Association to establish the total number of ERU's in the area proposed for incorporation. We then multiplied the estimated year around ERU's by the Lee County average population per household of 2.52 to come up with the estimated permanent population.

There is an existing local municipality within the 2 mile buffer required by State Statues. The City of Cape Coral is just to the East of the area proposed for incorporation, but the two areas are separated by the waters of Matlacha Pass Aquatic Preserve with the exception of a small common boundary at the eastern end of Matlacha. This meets the exception language in the statue as being separation by a natural geographic boundary.

The area of Matlacha-Pine Island proposed for incorporation meets all but one of the requirements of State Statues to be considered for incorporation.

It is projected after incorporation, most governmental 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. In lieu of citizens of Matlacha-Pine Island contributing to Lee County's MSTU for Unincorporated Lee County they would pay the same millage to the Village. The Village would establish interlocal agreements with Lee County, other local governments or contracts with private sector companies to provide the present

levels of service continue throughout Matlacha-Pine Island.

We did communicate with the County Administrators about the validity of our methodology and proposed estimates for the cost of the MSTU services. We have met with the Lee County Manager and Commissioners on other recent incorporations within Lee County and they have agreed to continue to provide the present level of services through an interlocal agreement with the newly formed Village. The amount charged for services will be based on the percapita average cost for the Unincorporated MSTU services with an additional 4% administrative fee. Based on BJM's experience with other newly formed cities who use this method of providing local services, County staff will not negotiate letters of intent or memorandums of understanding with a group contemplating incorporation, and then renegotiate the same document with the newly formed body of elected officials after a successful incorporation effort. County staff can see this as the newly formed municipality getting two bites at the apple. We have attached existing interlocal agreements between Lee County and the Village of Estero to support this methodology (**See Appendix 4**)

There would be no impact on any other of the taxing authorities having jurisdiction over the area proposed for incorporation. All taxing agencies would continue to collect ad valorem tax dollars as they do presently.

How would incorporation impact the existing services in the community, and what would be the duties of the new Village government?

The proposed structure of operations would have the Village unifying the area's land use, zoning, building, and code regulations. This would initially occur under the authority of the Lee County/Pine Island Community Comprehensive Plan and land use and zoning regulations, with the Village having enforcement authority. The Village would also be a new partner to all present services providers. The existing Franchise agreements with LCEC and Waste Pro would continue to be in place until the Village is legally able to establish new agreements.

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. **There will be no change in cost for all governmental and public utility services to the residents of Matlacha-Pine Island if it were to incorporate.**

The following is a comparison of the estimated cost of government services provided by Lee County for FY 2020 within the Village of Matlacha-Pine Island if they remained part of unincorporated Lee County versus becoming a newly incorporated area.

<u>Unincorporated Lee County</u>		<u>Village of Matlacha-Pine Island</u>	
County General Fund		County General Fund	
General Gov't	\$367,727		\$367,727
Public Safety	\$870,716		\$870,716
Public Works	\$312,920		\$312,920
Cultural/Rec	\$69,190		\$69,190
Library	\$807,150		\$807,150
County Subtotal	\$2,427,703		\$2,427,703
Fire District	\$5,081,933		\$5,081,933
County MSTU Funds		Village General Fund	
Lee MSTU	\$1,081,178		\$621,710
Local Gov't Cost	0		\$1,202,075
Total Cost	\$8,590,814		\$9,333,421

Under the above scenario Matlacha-Pine Island will continue to be pay for those services that are funded with ad valorem taxes due to Lee County through the County's General Fund ad valorem tax. These areas include: Sheriff, Public Works, Library and Cultural. Other areas now funded by County MSTU's will continue to be funded at the same levels by collection of the Village's ad valorem millage.

Based on the assumptions use above in FY 2020, the first full year after incorporation, it is projected Lee County will lose: \$549,254 in Franchise Fees; \$249,910 in Communication Sales Tax; \$952,106 in State Shared Revenues; and \$459,468 of their MSTU revenues. In total a General Fund loss of \$1,751,270 and \$459,468 in their Unincorporated MSTU Funds. The loss is just over 0.3% of the County's General Fund.

As with any local government Lee County has three options available to make up for these reduction in revenues: find efficiencies in present operations, reduce present services levels; or raise revenues by increasing taxes, fees or establish new fees.

Based on the Lee County experience with 3 newly incorporated cities in the last 20 years, the County found operating efficiencies and did not cut services or raise additional revenues.

The total cost of local government services within the proposed Village of Matlacha-Pine Island will be \$1,015 per capita which puts in line with other Lee

County cities using the government lite philosophy.

The increased cost to Matlacha-Pine Island residents for the Village administration of \$1,426,890. Based on per capita, the increase will be \$91 per capita. This cost will be absorbed by additional revenues raised from non-ad valorem tax sources and saving from contracting for the present Lee County MSTU services through interlocal agreement.

Task 2
DEVELOPMENT OF A POSSIBLE
INCORPORATION/REVENUE TIMELINE
FOR VILLAGE OF MATLACHA-PINE ISLAND

This study assumes the following incorporation/revenue timeline for the Village of Matlacha-Pine Island:

<u>Date</u>	<u>Activity</u>
August 2017	Initial Incorporation study is updated
September 2017	Final Feasibility Study with Charter and instrument showing support for incorporation is presented to local delegation and the State of Florida
October 2017	Lee County Local Delegation passes the local bill for incorporation
January 2018	Local bill goes to Florida Legislature, and is passed
Spring and Summer 2018	Community debates the pros and cons of incorporation
August 2018	Incorporation referendum passes.
December 2018	Village becomes a legal entity.
March 2019	Village local election held and first Village council meeting occurs
April 2019	Village begins receiving state shared revenue (provided Village charter is approved)
November 2019	Village begins receiving ad valorem tax revenue
July 2020	Village receives state shared revenue if strict timeline is held.

Local governments operate on an October 1 - September 30 fiscal year. The State of Florida however, follows a July 1- June 30 fiscal year. In order for the newly incorporated Village of Matlacha-Pine 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 Matlacha-Pine Island does become a legal entity by December 2018, it should begin receiving property tax revenues collected by the Lee County Tax Collectors between November 2019 and January 2020. Unlike other attempted incorporations, Matlacha-Pine Island 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 August 4, 2019

Adoption of a final millage rate (following two public hearings) on or before September 30, 2019

With regard to state shared revenues, The Village of Matlacha-Pine Island must meet specific criteria established in F.S. 218.23(1), which states:

"To be eligible to participate in revenue sharing beyond the minimum 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. Matlacha-Pine Island may not be eligible for state shared revenues until July 1, 2019, because of the time lag between the date of incorporation and the beginning of the State fiscal year.

Revenue Timeline Findings

The Village of Matlacha-Pine Island proposed revenue timeline projects state shared revenue as of March 2019, pending approval of the necessary language in the Village Charter. If this does not occur, the July 2020 date is well into the proposed municipality's second fiscal year; the Village 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.

Task 3
DEVELOPMENT OF REVENUE ANALYSIS
FOR MATLACHA-PINE ISLAND

For the purpose of this study the revenue analysis is based on a population of 9,200 and taxable value of \$1,355,182,222 for the proposed area of incorporation for Matlacha-Pine Island. The area follows the existing Matlacha Pine Island Fire District with the Exception of Cape Royal

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, \$50,000; 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 \$250,000 by the county property appraiser, the taxable value would be \$200,000 after deducting the \$50,000 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 roll is certified by the Lee County Property Appraiser. Lee County will mail each property owner a notice of taxes due to the Village 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 Matlacha-Pine Island area for incorporation taxable value for the 2018 tax year was estimated to be \$ 1,355,182,222. Based on this estimate, the Village of Matlacha-Pine Island tax revenues for fiscal year 2018 per one mill levied can be projected as follows:

Taxable value	\$1,355,182,222
x the percent <u>0.95</u>	
Revised Taxable Rate	\$1,287,423,111
x millage rate <u>.001</u>	
Estimated Property Tax	\$1,287,423
Revenues at 1 mill for FY 2017	

Ad Valorem Property Tax Findings

Historically, Matlacha-Pine Island 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.

For the purposes of this study we will use the Lee County's Unincorporated MSTU millage of 0.8398 mills for the local taxes presently being paid. This millage will also be used for the new municipality's millage if they were to incorporate. The addition of this new municipal millage of 0.8398 to the Matlacha/Pine Island Fire Control District Millage of 3.75 mills will allow the new municipality to participate in State Shared Revenues.

The new municipal area of Greater Pine Island will collect a millage of 0.8398 mills yielding a revenue of **\$1,081,178 for FY 2020.**

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.

Public Service Tax Findings

Because this tax has not been approved for use in unincorporated Lee County the Matlacha-Pine 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/Communication Service Tax

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.

Franchise Fees/Communication Service Tax Findings

Lee County presently does levy franchise fees on electric service, and collects communication service tax (Telephone & Cable TV) from the State, but the county retains the revenues derived from the collection of these fees. If Matlacha-Pine Island is incorporated it would share in the communication service tax revenues from the State and collect the revenues from the electric service franchise fees paid by user within the proposed boundaries. A Communication Tax Ordinance would have to be enacted prior to September 1, 2018 to be effective January 1, 2019. Additional or increased fees adopted at a later date could produce one of two results -- additional revenues to either support municipal services or programs or reduce ad valorem property taxes.

Based on projections developed from using Revenue projections from the FY 2018 Lee County Budget; franchise fees/communication service tax revenue for Matlacha-Pine Island fiscal year 2019 are estimated at **\$549,254 in Franchise Fees and \$249,910 in Communication Services Tax.**

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 Matlacha-Pine Island analysis does not include revenues associated with user fees as revenues or expenditures to the general fund. It is projected all existing Lee County user fees would be adopted by Matlacha-Pine Island and pay for the services they are presently supporting.

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") 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.

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 Village or county is refunded the dollars that were disbursed among all eligible municipalities or counties.

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 24.86 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 estimates from past projections from the State of Florida Department of Revenue--Office of Tax Research, municipal revenue sharing money for the Village of Matlacha-Pine Island in FY 2019 are estimated at **\$162,986**.

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.

Local Government Half-Cent Sales Tax Findings

Based on estimates from past projections from the State of Florida Department of Revenue--Office of Tax Research, the half-cent local government sales tax distribution to the Village of Matlacha-Pine Island in fiscal year 2019 is estimated at **\$789,120**

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.

Licenses and Permits

Business Tax Receipt

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. In 2006 it was changed to the Business Tax Receipt by the legislature.

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, stormwater 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) Stormwater Fees charged for review and inspection of projects requiring stormwater Management permits.
- C) Zoning and Related Fees includes all fees collected for rezoning requests, variances, special exceptions, etc.
- D) Planning Fees includes comprehensive plan compliance/concurrency reviews, planned unit development, etc.

Business Tax Receipts and Permits Findings

This report does not include revenues associated with permits because these fees typically are revenue neutral. Revenues raised from this source would pay for inspections, processing and plan review functions that will initially be provided by Lee County staff through interlocal agreement. The report does include Business Tax Receipt revenues for FY 2019 **\$25,000**.

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 Village'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 the Matlacha-Pine Island due to the proposed limitation on Village 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 study incorporates investment income of **\$25,000 for FY 2019**. This amount is supported by interest on the average daily fund balance available due to ad valorem taxes being collected in the first quarter of Village's fiscal year and expensed out during the entire fiscal year.

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 those making the donation typically earmark them for specific programs or

services.

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

Municipalities in Florida Counties share in the county's 6-cent local option tax on motor fuel and special fuel. The county uses its portion for 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 Village.

An opinion from the Florida Attorney General States in part the following:

Section 336.025, F.S. (1992 Supp.), allows counties to impose a local option gas tax upon every gallon of motor fuel and special fuel sold in a county and taxed under the provisions of Part I or Part II, Ch. 206, F.S. (1992 Supp.).[2] Only those municipalities and counties eligible for participation in the distribution of moneys under Parts II and VI of Ch. 218, F.S., are eligible to receive moneys under this section.[3]

A county may levy the tax by ordinance adopted by a majority vote of the governing body or approval by referendum.[4] Under this procedure,

"[t]he county may, prior to June 1, establish by interlocal agreement with one or more of the municipalities located therein, representing a majority of the population of the incorporated area within the county, a distribution formula for dividing the *entire* proceeds of the local option gas tax among the county government and all eligible municipalities within the county." [5] (e.s.)

In the absence of an interlocal agreement, the county may, prior to June 10, adopt a resolution of intent to levy the tax.[6] If no interlocal agreement or resolution is adopted, municipalities representing more than 50 percent of the county population may, prior to June 20, adopt uniform resolutions approving the local option tax, establishing the duration of the levy and the rate authorized, and setting the date for a countywide referendum on whether to impose the tax.[7] In the event the tax is levied by county resolution or by uniform resolutions of the

municipalities, the proceeds of the tax must be distributed "among the county government and eligible municipalities based on the transportation expenditures of each for the immediately preceding 5 fiscal years." [8] Any newly incorporated municipality which is eligible for participation in the distribution of moneys under Parts II and VI, Ch. 218, F.S., located in a county levying the local option gas tax is also entitled to receive a share of the tax revenues. [9]

Local Option Gas Tax Findings

Based on the existing law and the interlocal agreements Florida Counties have established with the other cities within the counties it is not clear exactly what formula was used. It is clear the distribution of this revenue is developed through political negotiations and trying to estimate what Matlacha-Pine Island's portion would be is at best more art than science.

With this understanding this study decided not to include Local Option Gas Tax revenues in our revenue projection for Matlacha-Pine Island. We believe it will be in the Village's best interest to continue to allow Lee County to retain the Local Option Gas tax revenues and continue to provide all local road maintenance in the initial years following incorporation.

Of course this decision will ultimately be determined by the newly elected Village council and the Lee County Commissioners. We will shared this concept with the Lee County officials when we meet with them and report on their response.

Task 4
DEVELOPMENT OF EXPENDITURE ANALYSIS
FOR MATLACHA-PINE ISLAND

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 Matlacha-Pine 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, Village manager, Village 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 firefighting 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 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 industry standard.

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.

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 Village 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 administrative and finance expenditures, an additional contract cost for growth management, code enforcement, professional planning services, and general government support from Lee County during the initial year. These expenditures are for a combination of municipal employees and contractual services as shown below.

Municipal Employees

Position	Proposed Salary
City Manager	\$125,000
City Clerk/Treasurer	70,000
Administrative Assistant	<u>40,000</u>
Total Salaries	\$235,000
<u>Benefits @ 35%</u>	<u>82,250</u>
Total Salary and Benefits	\$317,250

Contractual Services

Contract Services	Proposed Cost
Legal Services	\$200,000
Growth Management	\$100,000
Professional Services	<u>\$100,000</u>
Total	\$500,000

The original projected salaries for administrative staff were within the average salary for Florida cities with population between 7,500 and 15,000 residents. These salaries were shared with committee members and adjusted to be more in line with what other governmental agencies are presently paying on the Island. 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	\$317,250
Mayor and Council Salary (per Charter)	33,000
Operating overhead @ 25% of Salaries	87,560
Contract Services	500,000
Insurance	75,000
Local elections	32,500
Audit	35,000
Capital (one time)	175,000
Contingency @ 0.083	<u>89,666</u>
Total	\$1,344,976

The above costs include all relevant expenditure categories and coupled with one month of expenses contingency factor, appear reasonable to assume the administrative and financial activities for the Village of Matlacha-Pine Island.

The final major expenditure category--parks and recreation--will continue to be provided through an interlocal agreement with Lee County or a private sector vendor and be paid for with Matlacha-Pine Island general revenues after the initial fiscal year.

The following is the first year (FY/2019 for 6 months) projections for revenues and expenditures necessary for the area of Greater Pine Island.

Revenues

State Shared Revenue	\$476,053
Franchise Fees	274,627
Communication Services Tax	124,955
Interest Earnings Business Tax and Licenses	25,000
Bridge Loan	1,000,000
Ad Valorem Property Taxes	<u>0</u>
Total	\$1,900,635

Expenditures

Salary and Benefits	\$158,625
Mayor and City Council Salary	16,500
Contract Services	250,000
Operating Overhead	43,780
Insurance	37,500
Local Elections	32,500
Audit	35,000
Capital Equipment (One Time)	175,000
Contingency	44,833
Bridge Loan Payment	<u>107,820</u>
Total	\$901,558

Possible Reserve/(Deficit) **\$999,077**

This projection shows the cost of operating the new local government is not covered by the redirection of existing State Shared Revenues, Communication Services Tax and Franchise Fees during the first six months. To cover the initial short fall in the cost of the new local government, the new municipality would have to take out a \$1 million Bridge Loan @ 3% and pay it back during the first 5 years. The inclusion of the optional Bridge Loan does two things: it provides for additional reserves in the initial years of incorporation, and allows the Village to consider moving forward with incorporation if the requested waiver to reporting for State Shared revenues is not waved in the local Bill. The Bridge Loan contemplates a 3% APR and a five year payback schedule.

It is projected during the second year FY 2020 the Village would receive \$1,081,178 in ad valorem tax dollars using the present millage levied by Lee County. The Village could produce additional saving by contracting with Lee County to provide the services through an interlocal agreement or use a private sector vendors. The present projection is to pay Lee County for the current MSTU services with revenues collected by the Village's millage.

Task 5
A PRO FORMA PRESENTATION OF
REVENUE/EXPENSE FORECASTED
FOR A FIVE YEAR PERIOD

The purpose of a multi-year forecast is to estimate Village 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 the Village of Matlacha-Pine Island is designed to assist the community 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 the following 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 Matlacha-Pine Island based on fiscal years 2018 through 2022. BJM Consulting, Inc. developed the assumptions used in this financial forecast.

Population

The current permanent population is estimated at 15,362 and total population (with seasonal residents) is estimated to approach 20,000. The growth in population is projected to increase at an annual rate of 2% to 16,628 in FY 2022, with a service population of 22,000. This projection is consistent with recent growth patterns in the area.

Property Tax Base

The property tax base is projected to increase an average of 3% percent per year from FY 2019 through FY 2023. The taxable assessed value in the Village of Matlacha-Pine Island is projected at \$967,301,590 for fiscal year 2020 and is expected to increase to \$1,056,996,565 in fiscal year 2023. The initial FY 2020 projection uses the FY 2018 property taxable value with no initial increase for growth or new construction.

Expenditures

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

Service	Provider	Average Annual Increase
Other Contract Services	Others	3%
County Contract Services	Lee County Government	3%

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

Internal administrative and finance services increase approximately 3 percent each year. In addition, an annual 8.3 percent contingency factor (equivalent to one month's expenses) has been included.

Revenues

The forecast assumes the following Village of Matlacha-Pine Island millage rate and property tax revenues:

Fiscal Year	Millage Rate	Property Tax Revenues @ 95%
2019	0	\$0
2020	.8398	\$1,081,178
2021	.8398	\$1,113,613
2022	.8398	\$1,147,022
2023	.8398	\$1,181,432

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

State shared revenues are a combination of Municipal Revenue Sharing and Local Government Half-Cent Sales Tax and are estimated as:

Fiscal Year	Projected Revenue (3% annual increase)
2019	\$ 476,053
2020	\$ 980,669
2021	\$1,010,089
2022	\$1,040,392
2023	\$1,071,604

The FY 2019 projection uses the FY 2018 SSR value with no initial increase value for growth in population.

Franchise Fees are estimated as:

Fiscal Year	Projected Revenue (3% annual increase)
2019	\$247,627
2020	\$556,731
2021	\$582,703
2022	\$600,184
2023	\$618,190

The FY 2019 projection for Franchise Fees uses the Lee County FY 2018 number with no initial increase value for growth in population.

Communication Services Tax are estimated as:

Fiscal Year	Projected Revenue (3% annual increase)
2019	\$124,955
2020	\$257,408
2021	\$265,130
2022	\$273,084
2023	\$281,276

The FY 2019 projection for Communication Services Tax uses the Lee County FY 2018 number with no initial increase value for growth in population.

The forecast does not include any revenues from court fines or building permits, as they will continue to go to Lee County or private sector vendor for services rendered.

Interest earnings, Business Taxes Receipts are anticipated to be \$25,000 in fiscal year 2019 and \$50,000 in FY 2020 through FY 2023.

Expenses

Village of Matlacha-Pine Island Local Government Expense

Fiscal Year	Projected Cost (3% annual increase)
2019	\$ 793,738
2020	\$1,205,075
2021	\$1,241,227
2022	\$1,278,464
2023	\$1,316,818

The cost of all the County Interlocal Agreement for the Unincorporated MSTU services are projected to increase annually by 3%.

Village of Matlacha-Pine Island 5 year Fiscal Forecast if Local Bill is passed with SSR reporting waiver and Interlocal with County for collection of Communication Services Tax (Best Case Scenario)

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues					
State Shared Revenue	\$ 476,053	\$ 980,669	\$ 1,010,089	\$ 1,040,392	\$ 1,071,604
Franchise Fees	\$ 274,627	\$ 565,731	\$ 582,703	\$ 600,184	\$ 618,190
Communication Services Tax	\$ 124,955	\$ 257,408	\$ 265,130	\$ 273,084	\$ 281,276
Interest Earnings and Business Tax Receipts	\$ 25,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Bridge loan	\$ 1,000,000				
Ad Valorem Property Taxes @ 0.8398 Mills		\$ 1,081,178	\$ 1,113,613	\$ 1,147,022	\$ 1,181,432
Total Revenues	\$ 1,900,635	\$ 2,934,986	\$ 3,021,536	\$ 3,110,682	\$ 3,202,502
Expenses					
Greater Pine Island Local Government	\$ 793,738	\$ 1,205,075	\$ 1,241,227	\$ 1,278,464	\$ 1,316,818
Interlocal with County		\$ 621,710	\$ 640,361	\$ 659,572	\$ 679,359
Bridge Loan Payment	\$ 107,820	\$ 215,640	\$ 215,640	\$ 215,640	\$ 323,460
Total Expenses	\$ 901,558	\$ 2,042,425	\$ 2,097,228	\$ 2,153,676	\$ 2,319,637
Reserve/(Deficit)	\$ 999,077	\$ 892,561	\$ 924,308	\$ 957,006	\$ 882,865
Cumulative Reserves		\$ 1,891,639	\$ 2,815,946	\$ 3,772,952	\$ 4,655,818

Village of Matlacha-Pine Island 5 year Fiscal Forecast if Local Bill is passed without either SSR reporting waiver and Interlocal with County for the collection of Communication Service Tax (Worst Case Scenario)

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues					
State Shared Revenue		\$ 735,502	\$ 1,010,089	\$ 1,040,392	\$ 1,071,604
Franchise Fees	\$ 274,627	\$ 565,731	\$ 582,703	\$ 600,184	\$ 618,190
Communication Services Tax		\$ 193,056	\$ 265,130	\$ 273,084	\$ 281,276
Interest Earnings and Business Tax Receipts	\$ 25,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Bridge loan	\$ 1,000,000				
Ad Valorem Property Taxes @ 0.8398 Mills		\$ 1,081,178	\$ 1,113,613	\$ 1,147,022	\$ 1,181,432
Total Revenues	\$ 1,299,627	\$ 2,625,467	\$ 3,021,536	\$ 3,110,682	\$ 3,202,502
Expenses					
Greater Pine Island Local Government	\$ 793,738	\$ 1,205,075	\$ 1,241,227	\$ 1,278,464	\$ 1,316,818
Interlocal with County		\$ 621,710	\$ 640,361	\$ 659,572	\$ 679,359
Bridge Loan Payment	\$ 107,820	\$ 215,640	\$ 215,640	\$ 215,640	\$ 323,460
Total Expenses	\$ 901,558	\$ 2,042,425	\$ 2,097,228	\$ 2,153,676	\$ 2,319,637
Reserve/(Deficit)	\$ 398,069	\$ 583,042	\$ 924,308	\$ 957,006	\$ 882,865
Cumulative Reserves		\$ 981,111	\$ 1,905,419	\$ 2,862,425	\$ 3,745,290

If this scenario were to happen the proponents of incorporation could request the Bill Sponsor to table or withdraw the bill.

Village of Matlacha-Pine Island 5 year Fiscal Forecast if Local Bill is passed with SSR reporting waiver and without an Interlocal with County for collection of the Communication Service Tax (Middle Case Scenario)

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues					
State Shared Revenue	\$ 476,053	\$ 980,669	\$ 1,010,089	\$ 1,040,392	\$ 1,071,604
Franchise Fees	\$ 274,627	\$ 565,731	\$ 582,703	\$ 600,184	\$ 618,190
Communication Services Tax		\$ 193,056	\$ 265,130	\$ 273,084	\$ 281,276
Interest Earnings and Business Tax Receipts	\$ 25,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Bridge loan	\$ 1,000,000				
Ad Valorem Property Taxes @ 0.8398 Mills		\$ 1,081,178	\$ 1,113,613	\$ 1,147,022	\$ 1,181,432
Total Revenues	\$ 1,775,680	\$ 2,870,634	\$ 3,021,536	\$ 3,110,682	\$ 3,202,502
Expenses					
Greater Pine Island Local Government	\$ 793,738	\$ 1,205,075	\$ 1,241,227	\$ 1,278,464	\$ 1,316,818
Interlocal with County		\$ 621,710	\$ 640,361	\$ 659,572	\$ 679,359
Bridge Loan Payment	\$ 107,820	\$ 215,640	\$ 215,640	\$ 215,640	\$ 323,460
Total Expenses	\$ 901,558	\$ 2,042,425	\$ 2,097,228	\$ 2,153,676	\$ 2,319,637
Reserve/(Deficit)	\$ 874,122	\$ 828,210	\$ 924,308	\$ 957,006	\$ 882,865
Cumulative Reserves		\$ 1,702,332	\$ 2,626,639	\$ 3,583,645	\$ 4,466,510

Impact on the Property Owner

The following is intended to give the Village of Matlacha-Pine Island property owners a better idea of the impact incorporation will have in terms of property taxes they will pay.

The study clearly shows the Village of Matlacha-Pine Island, using the same property tax rate currently being proposed for Matlacha-Pine Island residents by Lee County for FY 2018, will develop a reserve over the first five years after incorporation. It will be up to the elected officials of Matlacha-Pine Island to decide what to do with these reserve funds, if anything.

The possible options are:

- **Reduce the Village tax millage which will lower the property taxes collected from Matlacha-Pine Island property owners and reduce the reserves**
- **Establish higher levels of service for things like additional code enforcement, police, economic development, road maintenance, or parks and recreation, raising the annual cost of local government and reduce the reserves**
- **Establish new public services creating new cost centers for local government and reduce the reserves**
- **Create a local Capital Improvement Plan and use the available dollars to build capital projects and reduce the reserves**
- **Allow the reserve to remain as projected providing a financial safety net for the community's future.**
- **Some combination of the foregoing options.**

The short-term financial position is due to the majority of municipal services being delivered through contractual relationships with the County or private sector vendors and the Village of Matlacha-Pine Island's substantial revenues coming from State Shared Revenues, Franchise Fees and Communication Tax.

The Village's revenues are augmented in FY 2019 by a \$1,000,000 bridge loan. This is optional in the first year of incorporation because the new Village will not have the ability to realize the full annual revenue stream from State Shared Revenues, Franchise Fees and the Communication Services Tax.