

FIVE YEAR FINANCIAL MASTER PLAN

ESTERO FIRE RESCUE

APRIL 10, 2007



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TABLE OF CONTENTS

Mission and Vision Statement & Guiding Principles	i
Chapter 1: Introduction and Summary	1
Chapter 2: Standard Forecasting Methodologies	3
Chapter 3: General Fund	4
Chapter 4: Impact Fee Fund	10
Chapter 5: Capital Improvement Fund.....	13
Chapter 6: Capital Improvement Program.....	16
Appendix: Additional Tables, Schedules & Graphs or Projections .	20

MISSION AND VISION STATEMENT & GUIDING PRINCIPLES

Mission Statement

**“Dedicated and Driven for Those We Serve”
Through Aggressive Life Safety, Proactive Fire Prevention,
Public Education and Community Involvement**

Vision Statement

- ◆ Create a harmonious environment conducive to maintaining positive attitudes both internally with staff and externally with the public.
- ◆ Demonstrate excellence by achieving recognition for providing the highest level of service.
- ◆ Develop a working relationship within the community to better meet its needs now and as the community grows.
- ◆ Effectively manage existing resources and ensure organized and systematic growth.
- ◆ Become an accredited organization through the Commission on Fire Accreditation International, by providing the highest quality of service and utilizing the latest technologies.

Guiding Principles

- ◆ The path to excellence begins with self-initiative and high standards, creating a foundation for professionalism.
- ◆ Honesty and integrity build excellence at all levels and credibility throughout the community.
- ◆ Appreciation of originality and creativity.
- ◆ Create an atmosphere that is conducive to a positive attitude.

CHAPTER 1: INTRODUCTION AND SUMMARY

Estero Fire Rescue (EFR) is an independent special taxing district located in southern Lee County, Florida, created pursuant to Chapter 76-408 Florida State Statutes (F.S.). Estero Fire Rescue's governing legislation was recreated, reenacted and codified by Laws of Florida, Chapter 2000-437 on July 5, 2000. Estero Fire Rescue is governed by a five-member (5) elected Board of Commissioners. Commissioners are elected on a staggered four (4) year term basis.

EFR provides fire control and rescue services, EMS, commercial fire code inspections, and a public education program. The community of Estero is comprised of a population of approximately 41,981.

EFR has experienced very rapid growth over the last seven (7) years. As such, EFR has made a significant investment in new facilities, apparatus, equipment and personnel. EFR recently achieved an Insurance Services Organization (ISO) rating of 4 for its proficient level of service to the community.

The purpose of this Five Year Financial Master Plan (FMP) is to prepare future projections for the next five years. This plan determines the future projections based on:

- ◆ Historical trend
- ◆ Staff supported schedules and data
- ◆ Anticipated population
- ◆ Consumer Price Index (CPI)

The report begins with a statement of the standard forecasting methodologies used in making future projections. The following chapters document EFR's projections by fund in the schedules of revenues, expenditures and changes in fund balance for 2008-2012, and the Capital Improvement Program. The report concludes with supporting data utilized to create the report.

The purpose of this report is to provide professional guidance that will enable management to identify and forecast future revenues and operating expenditures of the District to facilitate prudent decisions that will foster stability of the District's provided services.

The FMP is an interactive tool that projects revenues and expenses into the future and allows the District to reflect the fiscal impact of financial decisions, such as revenue and expenditure changes, restructuring of debt, etc. The five-year horizon allows the district to make informed decisions early enough to mitigate dramatic fluctuations or disruptions to provided services.

The financial data in this model is stated under the Modified Accrual Basis of Accounting, except where noted.

Audited financial statements were used in preparing beginning fund balances. **Schedule 1** provides a summary of all funds for general information only.

Schedule 1: Schedule of revenues, expenditures and changes in fund balance - actual, budget and projections - All Funds Summary

Fiscal Year	2005-06	2006-07 (1)	2007-08	2008-09	2009-10	2010-11	2011-12
	Actual	Original Budget	Projections	Projections	Projections	Projections	Projections
General Fund							
Revenues	\$ 8,739,096	\$ 11,122,531	\$ 12,846,389	\$ 14,194,582	\$ 15,543,751	\$ 16,798,582	\$ 17,997,975
Expenditures	7,468,879	9,671,229	11,083,304	11,435,705	12,803,491	15,128,882	16,137,318
Other Revenue/(Expense)	11,927	12,000	(687,880)	(1,137,759)	(587,636)	(1,487,012)	(741,166)
Net Annual Revenue	1,282,144	1,463,302	1,075,205	1,621,118	2,152,623	182,688	1,119,491
Beginning Fund Balance	707,178	1,989,322	3,452,624	4,527,829	6,148,947	8,301,570	8,484,258
Ending Fund Balance	\$ 1,989,322	\$ 3,452,624	\$ 4,527,829	\$ 6,148,947	\$ 8,301,570	\$ 8,484,258	\$ 9,603,749
Impact Fee Fund							
Revenues	\$ 1,135,224	\$ 658,746	\$ 648,746	\$ 645,746	\$ 648,746	\$ 648,746	\$ 645,746
Expenditures	862,675	860,765	1,245,943	1,243,755	1,241,537	1,239,870	1,233,585
Other Financing Sources	-	-	-	400,000	600,000	600,000	560,000
Net Annual Expenses	272,549	(202,019)	(597,197)	(198,009)	7,209	8,876	(27,839)
Beginning Fund Balance	738,655	1,011,204	809,185	211,988	13,979	21,188	30,063
Ending Fund Balance	\$ 1,011,204	\$ 809,185	\$ 211,988	\$ 13,979	\$ 21,188	\$ 30,063	\$ 2,224
Capital Improvement Fund							
Revenues	\$ 116,801	\$ 35,000	\$ 57,818	\$ 37,413	\$ 39,284	\$ 10,280	\$ 5,000
Expenditures	105,795	6,638,431	800,204	797,731	371	1,429,696	400,676
Other Financing Sources	32,728	4,430,473	1,291,560	773,135	24,292	925,005	220,560
Net Annual Revenue (Expenses)	43,734	(2,172,958)	549,174	12,818	63,205	(494,411)	(175,116)
Beginning Fund Balance	2,173,553	2,217,287	44,329	593,503	606,321	669,526	175,115
Ending Fund Balance	\$ 2,217,287	\$ 44,329	\$ 593,503	\$ 606,321	\$ 669,526	\$ 175,115	\$ (0)
Total Beginning Fund Balance	\$ 3,619,386	\$ 5,217,813	\$ 4,306,138	\$ 5,333,320	\$ 6,769,246	\$ 8,992,284	\$ 8,689,437
Total Revenues	9,991,121	11,816,277	13,552,953	14,877,741	16,231,781	17,457,608	18,648,721
Total Expenditures	8,437,349	17,170,425	13,129,451	13,477,191	14,045,399	17,798,448	17,771,579
Total Other Financing Sources (net)	44,655	4,442,473	603,680	35,376	36,656	37,993	39,394
Total Ending Fund Balance	\$ 5,217,813	\$ 4,306,138	\$ 5,333,320	\$ 6,769,246	\$ 8,992,284	\$ 8,689,437	\$ 9,605,973

Note: Grand totals for General, Impact Fee and Capital Improvement funds, "Memorandum Only".

(1) Beginning Fund Balance is based on prior year actual ending instead of originally budgeted amounts.

Source: MuniFinacial and Estero Fire Rescue

CHAPTER 2: STANDARD FORECASTING METHODOLOGIES

Although a five-year forecast includes estimates and assumptions, management can derive the benefits intended. Those benefits include a better understanding of revenue and expenditure trends and the net difference that is added, or deducted from reserves. In preparing a long-term forecast, there should be an agreed upon set of assumptions employed consistently and projections should be conservatively developed. Forecasting methodologies employed in the Five Year Financial Master Plan (FMP) include:

- ◆ Historical trend – certain revenues and costs are best projected based on historical trends¹. In these cases, anomalies in historical data are excluded.
- ◆ Debt service payments – these payments are projected based on payment schedules for each outstanding loan and one anticipated loan.
- ◆ Capital outlay – these costs are projected based on the District’s internal long-term projections which are provided in the Capital Improvement Program (CIP). The data in the CIP is calculated using current fixed asset inventory, useful lives as replacement date and includes an inflationary factor of 3 to 5%.
- ◆ Personal services – these costs are projected based on Staff’s wage/benefit schedules using historical trends and known factors.
- ◆ Inflation rate – projections for all other remaining revenues and costs are derived by applying a standard inflation factor to current year figures using a blend of selected Consumer Price Index Tables (CPI) to calculate relevant projections. This schedule can be found in the appendix under Table 1.
- ◆ We assume no changes in boundaries or significant changes in Florida State tax structure.

¹ The Use of Trend Data and Comparative Data for Financial Analysis (2003), article approved by GFOA Executive Board

CHAPTER 3: GENERAL FUND

Schedule 2: Schedule of revenues, expenditures and changes in fund balance - actual, budget and projections - General Fund

Fiscal Year	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	Actual	Original Budget (1)	Projections	Projections	Projections	Projections	Projections
Revenues							
Ad Valorem Taxes:							
Current	\$ 8,096,379	\$ 10,595,819	\$ 11,863,381	\$ 13,056,652	\$ 14,249,922	\$ 15,443,193	\$ 16,636,465
Delinquent	8,369	11,117	23,966	26,377	28,788	31,198	33,609
Excess Fees	75,950	89,730	95,866	105,508	115,151	124,793	134,436
Subtotal - Ad Valorem Taxes	8,180,698	10,696,667	11,983,213	13,188,537	14,393,861	15,599,185	16,804,510
Intergovernmental:							
Federal Grant	49,571	-	-	-	-	-	-
State Grant	33,323	-	-	-	-	-	-
State Shared	15,222	20,501	19,148	20,858	22,164	26,079	27,384
Subtotal - Intergovernmental	98,116	20,501	19,148	20,858	22,164	26,079	27,384
Charges for Services	247,127	322,000	632,678	679,767	732,655	792,066	858,812
Miscellaneous:							
Interest							
Operating Interest	176,424	61,000	198,554	292,176	381,364	367,065	292,586
Other:							
Ambulance Bay Rent	11,865	12,363	12,796	13,244	13,707	14,187	14,683
Miscellaneous	24,866	10,000	-	-	-	-	-
Subtotal - Other	36,731	22,363	12,796	13,244	13,707	14,187	14,683
TOTAL REVENUES	8,739,096	11,122,531	12,846,389	14,194,582	15,543,751	16,798,582	17,997,975
Expenditures							
Current							
Public Safety							
Personal services:							
Regular salaries and wages	3,804,598	4,451,464	5,119,184	5,784,677	6,536,686	7,517,188	8,494,423
Other salaries and wages	29,659	69,416	79,828	90,206	101,933	117,223	132,462
Overtime	181,854	237,912	273,599	309,167	349,358	401,762	453,991
Special Pay	279,469	343,558	395,092	446,454	504,493	580,166	655,588
FICA taxes	317,098	390,020	448,523	506,831	572,719	658,627	744,248
Retirement contributions	433,256	477,732	549,392	620,813	701,518	806,746	911,623
Life, health insurance	855,588	1,126,410	1,295,372	1,463,770	1,654,060	1,902,169	2,149,451
Worker's and employment compensation	314,140	400,435	460,500	520,365	588,013	676,215	764,123
Subtotal - Personal services	6,215,662	7,496,947	8,621,489	9,742,283	11,008,779	12,660,096	14,305,909

Schedule 2: Schedule of revenues, expenditures and changes in fund balance - budget, actual and projections - General Fund cont...

Fiscal Year	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	Actual	Original Budget (1)	Projections	Projections	Projections	Projections	Projections
Operating expenditures:							
Property appraiser fees	59,348	77,324	80,030	82,831	85,731	88,731	91,837
Tax collector fees	163,970	226,488	234,415	242,620	251,111	259,900	268,997
Professional services	86,503	176,850	183,040	196,908	211,636	227,270	243,863
Accounting and auditing	14,000	18,000	18,630	19,282	19,957	20,655	21,378
Travel and per diem	27,835	53,218	54,623	56,065	57,545	59,064	60,624
Communications and freight services	40,251	64,161	65,598	67,068	68,570	70,106	71,676
Utility services	48,884	47,348	52,930	59,171	66,147	73,946	82,664
Rentals and leases	3,054	3,563	3,643	3,724	3,808	3,893	3,980
Insurance	90,169	108,207	111,994	115,914	119,971	124,170	128,516
Repair and maintenance services	243,922	252,210	257,860	263,636	269,541	275,579	281,752
Printing and binding	2,717	5,761	5,890	6,022	6,157	6,295	6,436
Promotional activities	6,199	8,525	8,823	9,132	9,452	9,783	10,125
Other current charges and obligations	12,367	8,580	8,880	9,191	9,513	9,846	10,190
Office supplies	16,747	15,771	16,124	16,485	16,855	17,232	17,618
Operating supplies	199,859	247,687	253,235	258,908	264,707	270,637	276,699
Books, publ., subscript., memberships	71,324	145,938	151,046	156,332	161,804	167,467	173,329
Subtotal - Operating expenditures	1,087,149	1,459,631	1,506,763	1,563,290	1,622,504	1,684,574	1,749,683
Capital outlay:							
Buildings	-	-	-	-	-	-	-
Vehicles	49,840	519,500	642,210	-	52,993	762,536	11,897
Equipment	116,228	195,151	312,842	130,133	119,215	21,676	69,829
Subtotal - Capital outlay	166,068	714,651	955,052	130,133	172,208	784,212	81,726
TOTAL EXPENDITURES	7,468,879	9,671,229	11,083,304	11,435,705	12,803,491	15,128,882	16,137,318
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES							
	1,270,217	1,451,302	1,763,085	2,758,877	2,740,259	1,669,700	1,860,657
Other Financing Sources (Uses)							
Compensation for loss of capital assets	5,927	-	-	-	-	-	-
Proceeds from sale of capital assets	4,000	12,000	12,120	12,241	12,364	12,487	12,612
Transfer to Capital Improvement Fund	-	-	(700,000)	(750,000)	-	(899,499)	(193,778)
Transfer to Debt Service	-	-	-	(400,000)	(600,000)	(600,000)	(560,000)
Capital Contribution	2,000	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	11,927	12,000	(687,880)	(1,137,759)	(587,636)	(1,487,012)	(741,166)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES USES							
	1,282,144	1,463,302	1,075,205	1,621,118	2,152,623	182,688	1,119,491
FUND BALANCE - BEGINNING	707,178	1,989,322	3,452,624	4,527,829	6,148,947	8,301,570	8,484,258
FUND BALANCE - ENDING	\$ 1,989,322	\$ 3,452,624	\$ 4,527,829	\$ 6,148,947	\$ 8,301,570	\$ 8,484,258	\$ 9,603,749
FUND BALANCE APPROPRIATIONS							
RESERVED FUND BALANCE							
Reserved for Debt	-	324,152	403,063	418,505	434,223	450,538	467,203
DESIGNATED FUND BALANCE							
Designated for Operating Reserve	1,240,610	1,474,738	2,770,826	2,858,926	3,200,873	3,782,221	4,034,330
Designated for Anticipated Debt	-	-	400,000	600,000	600,000	560,000	-
Designated for GF Capital Improvement	714,651	955,052	130,133	172,208	784,212	81,726	149,792
Designated for CIF Capital Improvement	-	300,763	373,807	1,649,308	2,832,262	3,159,773	4,502,424
Designated for Self-Insurance Reserve	-	300,000	350,000	350,000	350,000	350,000	350,000
UNDESIGNATED FUND BALANCE	34,061	97,919	100,000	100,000	100,000	100,000	100,000
TOTAL FUND BALANCE	\$ 1,989,322	\$ 3,452,624	\$ 4,527,829	\$ 6,148,947	\$ 8,301,570	\$ 8,484,258	\$ 9,603,749

(1) Beginning Fund Balance is based on prior year actual ending instead of originally budgeted amounts.

Source: MuniFinancial and Estero Fire Rescue.

General Fund continued...

The **General Fund** covers all appropriation, expenditure and revenue transactions, except those for which special requirements demand separate fund accounting. The Five Year Financial Master Plan (FMP), General Fund projections in **Schedule 2**, are prepared using the following assumptions:

- ◆ Annual Designated Reserves Policy has been adopted.
- ◆ Additional sources of revenue identified under the list of assumptions section, (1) charging insurance companies accident response service fees was included and (2) medical transport service was not included pending further discussions.
- ◆ Maintain millage at 2.0 and anticipate development based on activity within the District and other local area districts.
- ◆ Personal services (salaries, wages and benefits) are calculated with additional staffing increases of 3 fire fighters per year due to increasing minimum staffing levels.

Revenues

General Fund revenues are projected to increase by over \$5M (total revenue) in the next five years. Revenues are classified into the following categories:

- ◆ Ad Valorem Taxes
- ◆ Intergovernmental
- ◆ Charges for Services
- ◆ Miscellaneous and Other

Ad Valorem revenue comes from the property taxes assessed according to the value of the property in Estero at a millage rate of 2.00, as set by the Estero Fire District's Board of Commissioners, per \$1,000 of appraised value. Similar to the rate of previous years, the millage rate is significantly lower than neighboring districts. This revenue is used for the annual operating expenses and the establishment of reserve fund balances.

Ad Valorem taxes are the single most significant source of revenue equaling approximately 93.5% of the general fund revenues. Revenue projections were made by using a trend analysis of fiscal years 2000-2007 in **Figure 1** (see Appendix). The projections are based on property values increasing at a static rate calculated on an average increase during fiscal years 2000-2007.

Intergovernmental revenue is comprised of Federal and State grants along with State Shared revenue. Federal and State grants were not included as they are specific as to use and are unpredictable as to availability. The State Shared revenue was included but functions as a pass through revenue to cover the cost of incentive pay to participating employees.

General Fund continued...

Charges for services generally referred to as public safety revenue, are collected for fire code building inspections, pyrotechnic inspections, fire watch fees, EMS stand-by, and education program fees. The projected revenue for existing public safety revenue for fiscal year 2008 is based on historical averaging. These projections will remain flat due to the inability to predict fluctuations in the amount of future commercial development. It is quite possible, however, that future revenues from this source will increase, based on existing commercial plans and proposals for Estero. Also included is new revenue by charging District non-resident's insurance companies for traffic incident calls.

Non-resident traffic accident response services according to the Insurance Information Institute in New York, a growing trend for budget-constrained public safety agencies is seeking alternative revenue-generating streams to keep current levels of response services available and in place. These agencies have started the practice of charging accident response service fees to a driver's insurance company. Some have developed a tiered system whereby different fees would be charged to an insurer based upon whether the driver(s) involved in an accident are resident or non-resident.

Estero Fire and Rescue proposes to institute a non-resident traffic accident response fee to assist in revenue generation and maintenance of the general fund budget. This program could be expanded to include other fire and rescue type responses. The estimated revenue generation is as follows:

<i>TYPICAL CHARGES</i>	<i>Billable Rates</i>				
	Non-Resident Rate Per Accident	Total EFR Traffic Accidents In 2006	Collection % Rate	Outsource Billing Rate	Potential Annual Revenue Stream
Cost Per Hour and Per Vehicle Responding (two EFR Vehicles generally respond)	\$500 x 2 = \$1000	343	75%	7%	\$239,243

General Fund continued...

Miscellaneous and Other revenue includes funds that are non-routine in nature such as interest earnings, reimbursements, administrative fees, etc. This revenue is usually insignificant when compared with Estero Fire Rescue's (EFR) total budget. The projections of miscellaneous and other revenue remain flat as historical trending is difficult due to the non-routine type of funds received. Interest earnings are based on conservative estimates.

Expenditures

General Fund expenditures are projected to ultimately increase by \$6.4M in the next five years. Expenditures are classified into the following categories:

- ◆ Personal services (staffing and related costs)
- ◆ Operating
- ◆ Capital outlay
- ◆ Other Financing Uses

Personal services comprise on average approximately 84% of the general fund's expenditures. The annual trend rate increase over the five years is 18.16%. Projections for these costs were calculated using staff wage and benefit projections. Additions to staff include: (1) An additional Inspector in 2008, and (2) three additional fire fighters were added in each year of the study.

Operating expenditures are projected to increase by approximately 20% over the next five years. These costs were calculated using the appropriate indexes from the Consumer Price Index (CPI) located in **Table 1** (see Appendix).

Capital outlay expenditures are projected in the Capital Improvement Program (CIP). Refer to Chapter 6 for a comprehensive overview of the CIP.

Other Financing Sources (Uses)

Other financing sources are classified into the following categories:

- ◆ Compensation for loss of capital assets
- ◆ Proceeds from sale of capital assets
- ◆ Capital contributions/donations
- ◆ Interfund Transfers

Other Financing Sources typically includes funds that are non-routine in nature such as proceeds from insurance for losses and proceeds from the sale of capital assets. Losses were not projected and proceeds from sales were estimated conservatively.

General Fund continued...

Other Financing Uses typically includes interfund transfers that are necessary to cover short falls in other funds for capital outlay and debt service.

Fund Balance

The General Fund is projected to increase its fund balance from approximately \$3.4M to \$9.6M by 2012. This fund balance will be used according to the Annual Designated Reserves Policy and Board determination.

The Governmental Finance Officers Association (GFOA) recommends that “governments establish a formal policy on the level of unreserved fund balance that should be maintained in the general fund. The adequacy of unreserved fund balance should be assessed based upon a government’s own specific circumstances²” GFOA recommends, at a minimum, that 5-15% of general fund operating revenues be maintained as unreserved fund balance.

² Appropriate Level of Unreserved Fund Balance in the General Fund (2002), article approved by the GFOA Committee on Accounting, Auditing and Financial Reporting and the GFOA Committee on Governmental Budgeting and Management

CHAPTER 4: IMPACT FEE FUND

Schedule 3: Schedule of revenues, expenditures and changes in fund balance - actual, budget and projections - Impact Fee Fund

Fiscal Year	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	Actual *	Original Budget (1)	Projections	Projections	Projections	Projections	Projections
Revenues							
Impact Fees	\$ 1,042,525	\$ 638,746	\$ 638,746	\$ 638,746	\$ 638,746	\$ 638,746	\$ 638,746
Interest	42,508	20,000	10,000	7,000	10,000	10,000	7,000
Other	50,191	-	-	-	-	-	-
Subtotal - Impact fees/other	1,135,224	658,746	648,746	645,746	648,746	648,746	645,746
TOTAL REVENUES	1,135,224	658,746	648,746	645,746	648,746	648,746	645,746
Expenditures							
Principal retirement	604,536	626,037	806,127	837,010	868,446	901,076	934,406
Interest and fiscal charges	258,139	234,727	439,817	406,745	373,091	338,794	299,179
Subtotal - Debt service	862,675	860,765	1,245,943	1,243,755	1,241,537	1,239,870	1,233,585
TOTAL EXPENDITURES	862,675	860,765	1,245,943	1,243,755	1,241,537	1,239,870	1,233,585
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	272,549	(202,019)	(597,197)	(598,009)	(592,791)	(591,124)	(587,839)
Other Financing Sources							
Interfund Transfer	-	-	-	400,000	600,000	600,000	560,000
TOTAL OTHER FINANCING SOURCES	-	-	-	400,000	600,000	600,000	560,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	272,549	(202,019)	(597,197)	(198,009)	7,209	8,876	(27,839)
FUND BALANCE - BEGINNING	738,655	1,011,204	809,185	211,988	13,979	21,188	30,063
FUND BALANCE - ENDING	\$ 1,011,204	\$ 809,185	\$ 211,988	\$ 13,979	\$ 21,188	\$ 30,063	\$ 2,224

*The Non-GAAP financial statement was used so impact fees can be reflected as collected instead of recognized. Fund balances include those amounts deferred for GAAP purposes.

(1) Beginning Fund Balance is based on prior year actual ending instead of originally budgeted amounts.

Source: MuniFinancial and Estero Fire Rescue.

Impact Fee Fund continued...

The Impact Fee Fund is established to account for impact fees received from Lee County until they are used for debt related to the acquisition of capital assets related to growth. Impact fee fund projections in **Schedule 3**, are prepared using the following assumptions:

- ◆ Impact fee revenue declining from the historical trend (2002-2006) is supported by the 2006-07 budget and recent trends reported on in the Estero Development Report (Oct-06). This is a very conservative approach and should be revisited and managed proactively by staff
- ◆ Additional debt proceeds of \$5M in 2007
- ◆ Interest earnings are calculated using historic trends along with a conservative rate modifier of 5%.

Revenues

Impact Fee Fund revenues are projected at a constant rate due to the inability to satisfactorily estimate increases. Revenues are classified into the following categories:

- ◆ Impact Fees (which comprise almost 100% of this fund's total revenue)
- ◆ Interest
- ◆ Other (zero activity projected)

Impact Fees are collected for the creation or expansion of facility capacity caused by demands of new growth. The fee is designed to assist local governments with providing services required by new growth. Impact fees are restricted to capital improvements with a life expectancy of three years or more, and must be returned after six years if not spent. Impact fees are reported in a special revenue fund that is currently paying for the debt incurred to build additional facilities and related equipment. The principal balance owed as of 10/1/06 is approximately \$4.1 million. The loans have been amortized through 2012 in **Schedule A** (see Appendix).

EFR has approximately \$1,100,000 in collected impact fees. It is also projected that EFR will receive approximately \$3.2 million in impact fee revenue over the next five years as shown in the following chart. It is difficult to project impact fees with any certainty beyond three years as the collection rate relies on the rate of construction and development within the community. Therefore, the assumed growth rate will remain flat through 2012, based on developer presentations for land purchases and developments in Estero. It is likely that these numbers are conservative for some years.

Impact Fee Fund continued...

2007-08	2008-09	2009-10	2010-11	2010-12
\$638,746	\$638,746	\$638,746	\$638,746	\$638,746

Projected EFR revenue from impact fees from the Extended Attack Report (2006)

Management will monitor impact fee revenue to determine if the revenue will indeed decline over the coming 5 years. The historical trend does not support a declining future. However management budgeted for a 35% decrease in the 2006-07 budget. The projections for 2008-12 are driven by this decrease. Data for 2006-07 receipts received from Lee County also supports a decrease in fee revenues.

Interest earnings are estimated to deteriorate with the declining fund balance.

Expenditures

Impact Fee Fund expenditures are projected to ultimately remain constant over next five years. Expenditures are classified into the following categories:

- ◆ Debt service

The only appropriations or budgeted expenditures for the impact fee fund are for debt service. The debt service schedules (**schedules A & B in the Appendix**) includes 2002A and 2002B notes payable and the proposed 2007 note.

The Impact Fee Fund expenditures are projected to exceed revenues by the first year of the study. Debt service cannot be met without support from the general fund, given that a \$2.1M shortfall is projected by 2012.

Other Financing Sources

Other financing sources are classified into the following categories:

- ◆ Interfund Transfers

Other Financing Sources typically includes interfund transfers that are necessary to cover shortfalls for debt service.

CHAPTER 5: CAPITAL IMPROVEMENT FUND

Schedule 4: Schedule of revenues, expenditures and changes in fund balance - actual, budget and projections - Capital Improvement Fund

Fiscal Year	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	Actual	Original Budget (1)	Projections	Projections	Projections	Projections	Projections
Revenues							
Interest	\$ 94,615	\$ 35,000	\$ 35,632	\$ 37,413	\$ 39,284	\$ 10,280	\$ 5,000
Other	22,186	-	22,186	-	-	-	-
Subtotal - Interest/other/misc.	116,801	35,000	57,818	37,413	39,284	10,280	5,000
TOTAL REVENUES	116,801	35,000	57,818	37,413	39,284	10,280	5,000
Expenditures							
Current							
Public Safety							
Operating Expenditures	407	-	204	275	371	501	676
Capital outlay							
Equipment	25,220	-	-	797,456	-	1,429,195	-
Stations	57,797	532,811	800,000	-	-	-	400,000
Construction in Progress	22,371	6,105,620	-	-	-	-	-
Subtotal - Capital outlay	105,388	6,638,431	800,000	797,456	-	1,429,195	400,000
TOTAL EXPENDITURES	105,795	6,638,431	800,204	797,731	371	1,429,696	400,676
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,006	(6,603,431)	(742,386)	(760,317)	38,913	(1,419,416)	(395,676)
Other Financing Sources							
Proceeds from sale of capital assets	32,728		22,033	23,135	24,292	25,506	26,782
Interfund Transfer			700,000	750,000	-	899,499	193,778
Loan Proceeds	-	4,430,473	569,527	-	-	-	-
TOTAL OTHER FINANCING SOURCES	32,728	4,430,473	1,291,560	773,135	24,292	925,005	220,560
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	43,734	(2,172,958)	549,174	12,818	63,205	(494,411)	(175,116)
FUND BALANCE - BEGINNING	2,173,553	2,217,287	44,329	593,503	606,321	669,526	175,115
FUND BALANCE - ENDING	\$ 2,217,287	\$ 44,329	\$ 593,503	\$ 606,321	\$ 669,526	\$ 175,115	\$ (0)

(1) Beginning Fund Balance is based on prior year actual ending instead of originally budgeted amounts.

Source: MuniFinancial and Estero Fire Rescue

Capital Improvement Fund continued...

The Capital Improvement Fund primarily receives revenue from loan proceeds and shared costs of capital projects. Capital Improvement Fund projections in **Schedule 4** are prepared using the following assumptions and sources:

- ◆ Capital Improvement Program (CIP) schedule provided by EFR staff
- ◆ Capital priorities include: (1) Administrative Building, (2) addition to station 3, (3) land for station 5 & 6, (4) construction of station 5, (5) purchase additional apparatus, (6) replacement of capital assets

Revenues

Capital Improvement Fund balances are projected to decrease over the next five years as capital projects are completed. Revenues are classified into the following categories:

- ◆ Interest
- ◆ Other

Interest earnings are estimated to deteriorate with the declining fund balance.

Other revenue typically includes revenue received from a developer for the shared cost of a project.

Expenditures

Capital Improvement Fund expenditures, which are identified in the CIP schedule in Chapter 6, comprise over 99% of this fund's costs. Expenditures are classified into the following categories:

- ◆ Capital outlay
- ◆ Bank charges

Other Financing Sources

Other financing sources are classified into the following categories:

- ◆ Interfund Transfers
- ◆ Loan Proceeds

Interfund transfers that are necessary to cover shortfalls for capital projects.

Loan Proceeds are restricted for approved projects that qualify as an impact fee purchase. \$8.8 million was originally borrowed to purchase related land, construct four new fire stations and purchase related equipment and apparatus, construct an administration building and a training facility. Due to rising costs and construction

Capital Improvement Fund continued...

delays, the costs of the administration building and training facility have exceeded projections. The debt proceeds are no longer sufficient for the completion of these projects and alternative plans or timetables must be considered. To maintain the list of approved projects an additional \$5 million will be required in 2007. The training facility was deferred indefinitely.

CHAPTER 6: CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program (CIP) is a critical component of the 5 Year Financial Master Plan for Estero Fire Rescue and represents one of the most significant planning processes. This plan identifies the capital needs of the District over a five-year period.

The CIP is primarily a planning tool. As such, it is updated annually and subject to change as the needs of the community become more defined and the adopted projects move closer to final approval. The effective use of a CIP process provides for considerable advance project identification, planning, evaluation, scope definition, design, public discussion, cost estimating, and financial planning.

The objectives used to develop the CIP include:

- ◆ To preserve and improve the basic infrastructure of Estero Fire Rescue through fire facility construction, rehabilitation and maintenance
- ◆ To maximize the useful life of capital investments by scheduling major renovations and modifications at the appropriate time in the life-cycle of the asset
- ◆ To identify and examine current and future infrastructure needs and establish priorities among projects so that available resources are used effectively
- ◆ To improve financial planning by comparing needs with resources, estimating future borrowing needs, and identifying potential fiscal implications

It should be recognized that the CIP is not the primary instrument through which the objectives identified above are conducted. Rather, it is the primary instrument for planning the funding needs and priorities that have been approved by the Board of Fire Commissioners. The implementation of the CIP follows in the form of adopted operating budgets and debt instruments, as well as other identified funding sources.

The CIP brings together needs identified through many capital planning and input processes. Master Plans, citizen requests, safety needs, planned rehabilitation cycles, repair and maintenance schedules, prior public discussions, grant funding processes and more, all contribute to the inclusion of projects proposed for funding.

Schedule 5 provides a summary of capital outlay categorized by type and funding source.

Capital Improvement Program continued...

Schedule 5: Capital Improvement Program

		Estero Fire Rescue 2008 - 2012 Capital Improvement Program							Total Projections for Capital Improvement Program
Project Name	Fund	Capital Actual 2006	Capital Budget 2007	Capital Projections 2008	Capital Projections 2009	Capital Projections 2010	Capital Projections 2011	Capital Projections 2012	
1 New Administration E	CIF	\$ 22,371	\$ 6,105,620						
2 Station 3 Addition	CIF		532,811						
3 New Fire Station(s)	CIF	57,797		800,000				400,000	1,200,000
4 New Apparatus	CIF	25,220			797,456		1,429,195		2,226,651
ovement Fund Subtotal:		105,388	6,638,431	800,000	797,456		1,429,195	400,000	3,426,651
5 New Apparatus	GF		403,000						
5 Admin Vehicle Replac	GF	49,840	116,500	205,627		52,993	13,728		272,348
6 Apparatus Replaceme	GF			436,583			748,808	11,897	1,197,288
7 Fire Equipment	GF	22,499	87,018	37,928	26,328	24,105	1,565	35,274	125,200
8 EMS Equipment	GF			142,504	3,480	32,185		17,367	195,536
9 Communications Equi	GF			15,061	15,061	15,061	15,061	15,061	75,305
10 Breathing Apparatus	GF								
11 Training/Other Equip	GF			6,907	4,294				11,201
12 Fitness Equipment	GF				15,601	7,926	5,050		28,577
13 Computers/Technolo	GF	93,729	108,133	89,377	63,429	24,214			177,020
14 Office Equipment	GF			17,185		15,724			32,909
15 Station Equipment	GF			3,880	1,940			2,127	7,947
General Fund Subtotal:		166,068	714,651	955,052	130,133	172,208	784,212	81,726	2,123,331
Total		\$ 271,456	\$ 7,353,082	\$ 1,755,052	\$ 927,589	\$ 172,208	\$ 2,213,407	\$ 481,726	\$ 5,549,982

CIF - Capital Improvement Fund
GF - General Fund
Source: Estero Fire Rescue

Capital Project Definition

Capital projects are economic activities that lead to the acquisition, construction, or extension of the useful life of capital assets. Capital assets include land, facilities, technology equipment, engine company's, truck company's, rescue vehicles, staff and utility vehicles and other items of value from which the fire district derives benefit for a minimum number of years, depending on the type of asset.

Capital expenditures and operating expenditures are primarily differentiated by two characteristics: dollar amount of the expenditure and the useful life of the asset acquired, constructed, or maintained. Capital improvements will increase the effectiveness, efficiency and useful life of assets through a variety of activities. Generally, land acquisition, feasibility studies, planning, design, construction, asset rehabilitation, enterprise technology acquisition, and project implementation are activities associated with capital projects. In general, capital projects in the CIP:

Capital Improvement Program continued...

- ◆ Have a total project cost equal to or greater than \$1,000
- ◆ Range from construction of new buildings to renovations, additions, conversions of existing facilities and purchase or rehab of emergency response vehicles
- ◆ Have a minimum useful life of 3 years, and significantly extend the useful life of an asset

The Capital Improvement Program (CIP) is the vehicle by which planning for technology capital investments occurs. In general, technology capital projects in the CIP:

- ◆ Include applications systems, network design and implementation, telecommunications infrastructure, hardware and software systems, document imaging systems, data base design and development, consulting services (business process studies, requirements analysis or other studies), and technology associated with new construction and/or renovation and relocation projects
- ◆ Have a minimum useful life of three years, significantly extend the useful life of an asset (i.e. not to include annual software and hardware maintenance and upgrade costs, warranty costs or other ongoing costs), provide a significant enhancement to functionality, or represent a change of platform or underlying structure

CIP Development Process

Capital projects originate from a variety of sources. Board appointed commissions, advisory groups, and task forces typically advise the Board or develop long-term plans that recommend certain types of improvements. Neighborhood associations and business groups also might suggest projects and work with Estero Fire Rescue staff on projects. Some projects are initiated by staff based on the adopted budget.

Projects most often come forward through the sponsoring department that is responsible for their implementation. Being aware that there are always more project proposals submitted than can be funded in a given year, criteria known as Capital Readiness Standards can be developed and used to assist in prioritizing capital projects. These standards evaluate a project's connection to the Fire District, community support, stage of development, ability to be implemented, and safety impact. Other considerations include current and future fiscal impact, cost of deferring a project, alternative funding sources, and County and private development goals and plans.

Capital Improvement Program Procedures

The major phases in developing a Capital Improvement Program are outlined below. However, this outline is intended as a guideline and will be expanded as needed.

- ◆ Appoint a coordinator/facilitator/manager and other participants into a CIP Working Group or CIP Coordinating Committee

Capital Improvement Program continued...

- ◆ Set rules and policies
 - i. Define Capital Improvement
 - ii. Determine Length of plan (5 years is recommended)
- ◆ Develop a priority system
- ◆ Prepare inventory list
 - i. Include age, condition, replacement dates
 - ii. Include improvements underway and current status
- ◆ Prepare a project request list in priority order
 - i. Include in-depth information on each (justification, future operation and maintenance cost, relationship to other projects)
- ◆ Review projects and develop summary lists
- ◆ The financial picture
 - i. Revenue trends / projections
 - ii. Expenditure trends / projections
- ◆ Evaluate alternative financing mechanisms
- ◆ Final report, adoption and implementation

Vehicle Replacement Schedule

The following replacement schedule is suggested for each type of department vehicle. Selection of the actual type and a date of replacement shall be established in cooperation with the Fleet Maintenance Coordinator and the Finance Director.

Vehicles: 3 – 20 years

- | | |
|---|----------|
| ◆ Administrative Vehicles (Non-Emergency) | 6 years |
| ◆ Administrative Vehicles (Emergency) | 4 years |
| ◆ Light use fire apparatus | 15 years |
| ◆ Rescue / Transport Vehicles | 7 years |
| ◆ Fire Apparatus / Pumpers | 12 years |
| ◆ Fire Apparatus/Quints | 10 years |
| ◆ Fire Apparatus/Trucks | 15 years |

Buildings: 3 – 35 years

Equipment: 3 – 7 years

APPENDIX: ADDITIONAL TABLES, SCHEDULES & GRAPHS OR PROJECTIONS

This Appendix provides detailed information regarding the calculation of the projections.

Table 1: Consumer Price Index

Fuels and Utilities CPI - South-Cities under 50,000

2005	169.7
2006	189.7
Index point change	20.00
Percent change	11.79%

Commodities CPI South - Cities under 50,000

2005	162.6
2006	166.9
Index point change	4.30
Percent change	2.64%

Commodities less food and beverage

2005	152.1
2006	155.5
Index point change	3.40
Percent change	2.24%

Employment Cost Index for total compensation, for private industry workers, by occupational group & industry:

Professional and business services	
2006	3.5%

Source: U.S. Department of Labor, Bureau of Statistics.

Schedule A: Debt Service Schedule**ESTERO FIRE RESCUE**

The annual debt service requirements at September 30, 2006 were as follows:

Year Ending <u>September 30</u>	<u>Note Payable, Series 2002A</u>		<u>Note Payable, Series 2002B</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	362,046	170,876	263,991	63,852	626,037	234,728
2008	374,923	157,685	273,380	53,381	648,303	211,066
2009	388,258	143,495	283,103	42,325	671,362	185,820
2010	402,067	128,828	293,173	30,897	695,240	159,724
2011	416,368	114,209	303,600	19,120	719,967	133,329
2012	431,177	97,306	314,398	4,131	745,575	101,437
	<u>\$ 2,374,839</u>	<u>\$ 812,398</u>	<u>\$ 1,731,645</u>	<u>\$ 213,706</u>	<u>4,106,483</u>	<u>1,026,105</u>
			Total Long-Term Debt		<u>\$ 4,106,483</u>	<u>\$ 1,026,105</u>

Source: Estero Fire Rescue

Schedule B: Estimated Debt Service Schedule for Additional Debt**ESTERO FIRE RESCUE**

The estimated debt service schedule if additional debt is acquired would be as follows:

Year Ending <u>September 30</u>	<u>Proposed Debt - \$5M</u>	
	<u>Principal</u>	<u>Interest</u>
2007	-	-
2008	157,823	228,750
2009	165,648	220,925
2010	173,206	213,367
2011	181,109	205,465
2012	188,831	197,742
	<u>\$ 866,617</u>	<u>\$ 1,066,249</u>

Source: Estero Fire Rescue

Figure 1: Ad Valorem Tax Trend and Revenue Projections

Estero Fire Rescue

Fiscal Year	Certified Taxable Value	Value Increase	Ad Valorem Tax Revenue	Revenue Increase	Revenue Increase as a Percentage	Revenue vs. Value as a percentage	Projected Revenue at 95%
2000	793,458,260	195,934,820	1,514,409	340,306	28.98%	0.19%	n/a
2001	1,155,612,242	362,153,982	2,003,775	489,366	32.31%	0.17%	n/a
2002	1,602,728,727	447,116,485	2,777,520	773,745	38.61%	0.17%	n/a
2003	2,287,366,415	684,637,688	3,994,697	1,217,177	43.82%	0.17%	n/a
2004	2,823,460,026	536,093,611	4,888,996	894,299	22.39%	0.17%	n/a
2005	3,360,758,467	537,298,441	6,555,937	1,666,941	34.10%	0.20%	n/a
2006	4,201,705,674	840,947,207	8,180,698	1,624,761	24.78%	0.19%	n/a
2007	5,672,572,718	1,470,867,044	11,259,649	3,078,951	37.64%	0.20%	10,696,666.55
2008	6,306,953,878	634,381,160	12,613,908	1,354,259	12.03%	0.20%	11,983,212.37
2009	6,941,335,038	634,381,160	13,882,670	1,268,762	10.06%	0.20%	13,188,536.57
2010	7,575,716,198	634,381,160	15,151,432	1,268,762	9.14%	0.20%	14,393,860.78
2011	8,210,097,358	634,381,160	16,420,195	1,268,762	8.37%	0.20%	15,599,184.98
2012	8,844,478,518	634,381,160	17,688,957	1,268,762	7.73%	0.20%	16,804,509.18

historical data

projected data based on average value increase and millage rate of 2.0

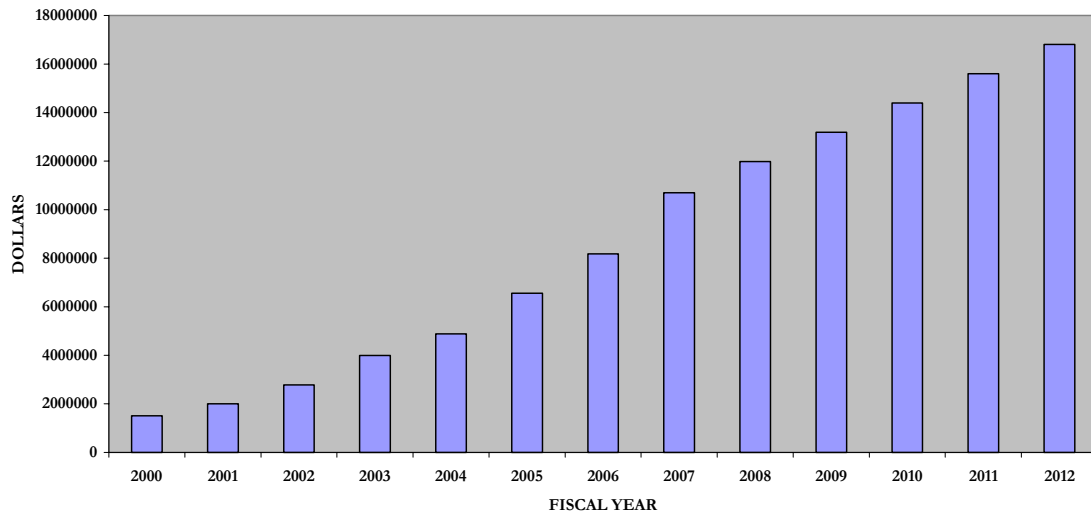
budgeted

Source: Estero Fire Rescue

Graph 1: Ad Valorem Tax Trend and Revenue Projections

Estero Fire Rescue

Ad Valorem Tax Revenue Trend Analysis



Source: Estero Fire Rescue