

ATTACHMENT 1



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Memorandum

TO: Village Council
FROM: Steve Sarkozy, Village Manager
DATE: September 4, 2019
SUBJECT: Budget Message – Proposed 2019-2020 Operating and Capital Budget

Honorable Mayor and Village Council:

I am pleased to provide you with my recommended Fiscal Year 2019-2020 Annual Budget in compliance with Section 8(2) of the Village Charter. In summary, the proposed budget is balanced and provides sufficient funds to meet the operating needs for the coming year.

This budget includes total revenues of \$20,214,380, total expenditures of \$20,409,460 (including one-time capital expenditures of \$12,258,160), and a millage rate of 0.7750. Additionally, this budget allocates \$472,000 to reserves (\$5,596,700 total, 12.0 months of annual operating expenditures), \$1,415,800 to debt service payment, and \$1,100,000 to debt reduction funding.

The budget to follow represents the Village's values, history, and future, and we look forward to discussing its merits with you and the community.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Steve Sarkozy', is written over a light blue circular stamp.

Steve Sarkozy
Village Manager
Village of Estero

Strategic Direction

The Village Council and Staff pride ourselves on providing forward-thinking, efficient, transparent municipal operations. The principles of our management approach are outlined below:

Strategic Principles:

- Practice **OUTSTANDING ETHICS**, by guarding against Council, Staff, and Board member conflict of interest issues.
- Provide **EXCEPTIONAL TRANSPARENCY**, by actively soliciting resident input and proactively distributing meaningful, comprehensible information to the public.
- Cultivate a **SENSE OF COMMUNITY**, by helping residents engage with one another and create a distinct Estero community.
- Preserve **OPERATIONAL FLEXIBILITY**, by maintaining zero ongoing pension liabilities and a commitment to limited staffing.
- Protect **ENVIRONMENTAL ASSETS**, by engaging in water quality management and open space preservation.

Operating Standards:

- Adhere to **PERFORMANCE MANAGEMENT**, by implementing and tracking annual service delivery goals based on quantifiable performance metrics.
- Coordinate **UNIVERSALLY STRONG CUSTOMER SERVICE**, by working with service delivery partners to ensure all resident interactions are helpful.
- Mandate **EXCELLENT CONSTRUCTION PRACTICES**, by creating high standards for public and private projects and inspecting them with prudence and diligence.
- Maintain **SUPERB MAINTENANCE**, by prioritizing upkeep of current Village assets and by requiring such upkeep by private communities and businesses.
- Manage **DEBT ACCUMULATION**, by identifying a specific source of funding in the budget sufficient to pay all debt service and related costs.

Our implementation of “government-lite” has yielded benefits to our residents across a spectrum of functions. Further details about the past year, and the years to come, are provided below.

Reflection:

Our governance model reflects the dual priorities of providing daily governance and the nimbleness to act on unique opportunities. This has required us to develop a unique approach to “government lite”. Our recent purchase of 62 acres of land, which provides for substantial natural preservation and community recreation opportunities, demonstrates our model’s effectiveness. We obtained subject-matter expertise via contract, carefully reviewed the project merits and costs with the community, aligned stakeholder interests around a common set of goals, and executed the acquisition. Our model allowed us to “ramp up” operations, build sound policy based on subject matter expertise, and then “ramp down” operations, in a short time span.

Our ability to retire the purchase debt, which represents 200% of annual revenue, will be equally illustrative of our model’s effectiveness. We wish to reduce the original ten year payoff term via early payment set-asides, land sales, easement trades, and grants. This would free substantial funds for further community improvement, effectively multiplying the impact of the initial investment.

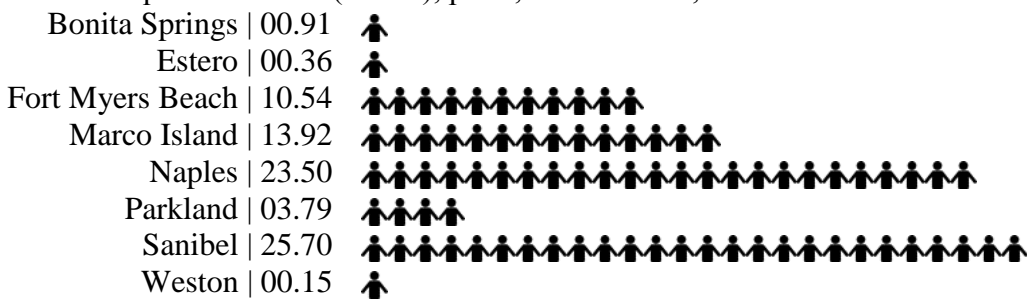
Budget Message
Fiscal Year 2019-2020

Population and Staff, By Municipality:

| | Population ¹ 2018 | FTE Staff FY 18-19 | FTE Staff FY 19-20 |
|------------------|---------------------------------|-----------------------|-----------------------|
| Bonita Springs | 51,181 (+2.1%) | 46.50 | TBD |
| Estero | 31,806 (+2.8%) | 11.50 | 11.00 (-4.3%) |
| Fort Myers Beach | 6,406 (+1.2%) | 67.50 | TBD |
| Marco Island | 17,094 (+0.3%) | 238.00 | TBD |
| Naples | 20,344 (+0.7%) | 478.00 | TBD |
| Parkland | 32,742 (+3.9%) | 124.00 | TBD |
| Sanibel | 6,701 (+0.6%) | 172.23 | TBD |
| Weston | 66,972 (-4.3%) | 10.00 | TBD |

¹Population data based on most recent county-wide data provided by the Florida Bureau of Economic and Business Research, dated April 1, 2018, compared with data from the same study, dated April 1, 2017.

Full-time Equivalent Staff (FTE's), per 1,000 residents, for FY 18-19:



Looking Ahead:

We believe that this approach to government can be applied to a variety of challenges the Village will soon face. Building construction oversight capacity for our Estero Parkway and US-41 projects and developing technology enhancements to provide long-term ADA compliance are just two examples where this approach will be called upon. Estero can remain fiscally conservative and operationally nimble by continuing to apply this formula.

The ongoing branding study is an example of this model in action. While previous community surveys, enacted budgets, and our inaugural strategic plan have clarified our vision of Estero, competent branding is required to effectively communicate this vision to the community. Our staff and Council's intuitive sense of community priorities has been married to data analysis and graphic design, via a model which does not add long-term staffing or costs. We believe that this branding effort will be critical to the long-term growth of this community, as it succinctly encapsulates so many of the assets that Estero has to offer.

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Administrative

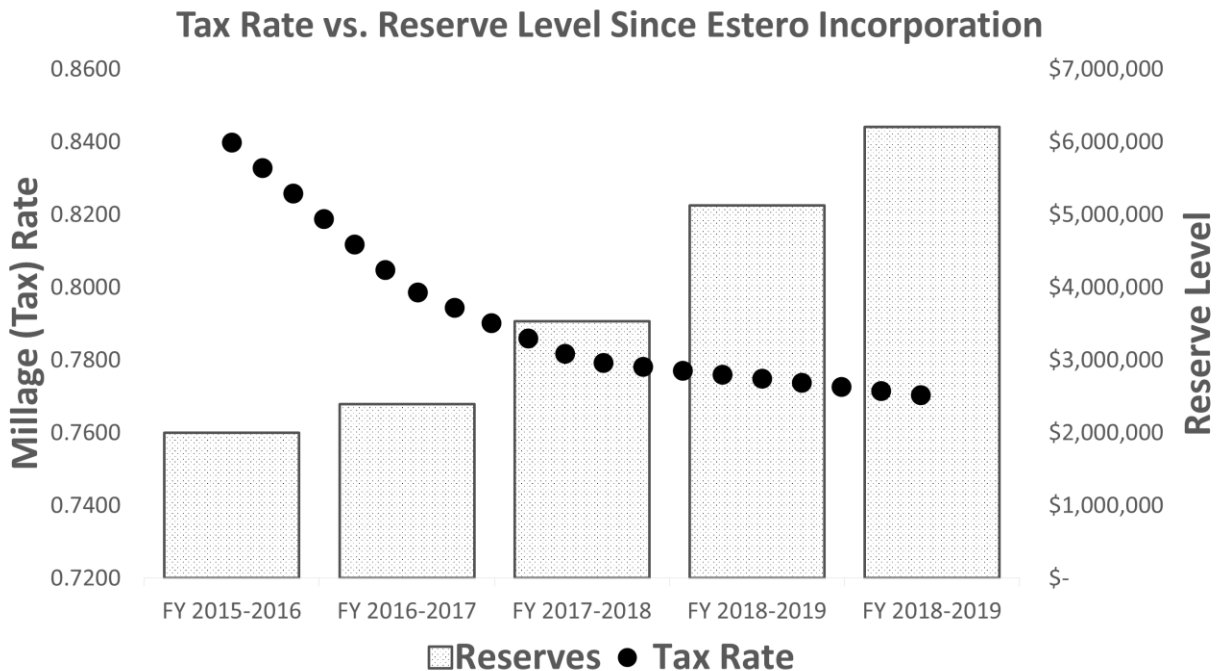
Reflection:

Our focus, from an administrative standpoint, remains centered on delivering high-quality government at an affordable rate. Thus far, this goal has manifested itself through the reduction of taxes (three consecutive years) and the development of a substantial operating reserve (proposed to rise to 12 months in FY 19-20). These accomplishments outpace neighbor municipalities and dwarf our earliest expectations. This unique record is demonstrated in the figures below.

Tax Rate and Reserve Level, By Municipality:

| | Tax Rate FY 19-20 | Reserves FY 19-20 | Reserves (% of operating) FY 19-20 |
|------------------|----------------------|----------------------|---------------------------------------|
| Bonita Springs | 0.8173 (no change) | TBD | TBD |
| Estero | 0.7750 (no change) | \$5,596,700 (+9.2%) | 100% (+20.0%) |
| Fort Myers Beach | 0.9500 (+9.2%) | TBD | TBD |
| Marco Island | 1.8057 (-2.4%) | TBD | TBD |
| Naples | 1.1800 (no change) | TBD | TBD |
| Parkland | 4.4000 (no change) | TBD | TBD |
| Sanibel | 1.9139 (no change) | TBD | TBD |

Tax Rate vs. Reserve Level, Since Estero Incorporation:



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Looking Ahead:

We anticipate a slowdown in both trends, as our tax rate and reserve level stabilize for long term operations. The Village may wish to fragment the tax levy and reserve, including options such as a dedicated tax for stormwater maintenance or an additional reserve for street light maintenance, respectively, while maintaining the cumulative totals. A risk to our long-term viability is large, unexpected expenditures: three such potential expenditures are identified below:

- Land Use Litigation: The Village is nearing a settlement with Argo Land Development, regarding the Comprehensive Plan. Settlement of this lawsuit will represent a significant milestone in the Village’s history, as it will put to rest a large land use litigation threat.
- Hurricane Irma: We partnered with Lee County to avoid most of the cash flow impact from the storm (we expended ~\$250,000, as opposed to several million dollars). We have since been approved for reimbursement of nearly all of our costs by FEMA, with remaining exposure in funds expended by Lee County on behalf of Estero (potentially several thousand dollars). We plan to continue this partnership to maintain “lite” operations.
- ADA Compliance: Earlier this year, our neighbor cities were served lawsuits alleging non-compliance with the Americans with Disabilities Act. We responded by bringing our website and all documents into compliance. Additionally, we are reengineering our Clerk, Community Development, and Public Works operations to provide maximum transparency and access for our users and greater efficiency for staff.

Public Works

Reflection:

The past year included the completion of several notable efforts, which are outlined below.

- Stormwater Master Plan: Estero completed its first Stormwater Master Plan, which provides a detailed understanding of the Village’s stormwater management system as well as outside stormwater influences. This plan and associated models will allow the Village to analyze proposed changes to the watershed and quantify future project improvements.
- Coconut Road Traffic Study: This provides a plan for handling the traffic growth on the west half of Coconut Road in the decades to come. This includes installation of three roundabouts to provide traffic calming and safety for residents driving, biking, or walking.

Total Issue Requests, Response Time (in days) for 2018, and Change in Response Time from 2017:

| | <u>Road</u> | <u>Signage</u> | <u>Landscaping</u> | <u>Drainage</u> | <u>Trash</u> | <u>Animals</u> | <u>Permits</u> | <u>Other</u> |
|--------|---------------------|----------------|--------------------|-----------------|--------------|----------------|----------------|--------------|
| | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 |
| Estero | 45 ¹ | 43 | 46 | 34 | 27 | 15 | 17 | 106 |
| | 10.8 ² | 30.4 | 14.2 | 43.2 | 9.6 | 3.8 | 128.4 | 14.1 |
| | (-72%) ³ | (+50%) | (-41%) | (-22%) | (+71%) | (-31%) | (-21%) | (-30%) |

¹Total Issue Requests Received by the Village in 2018, by Issue Type

²Average Issue Response Time, by Issue Type

³Change in Average Response Time, from 2017 to 2018, by Issue Type

Budget Message

Fiscal Year 2019-2020

Looking Ahead:

The year to come promises the beginning and completion of multiple notable capital improvements projects. These are discussed in detail below.

- Corkscrew & I-75 Interchange Improvements: The Florida Department of Transportation (FDOT) will begin construction of interchange improvements at Corkscrew Road in late 2019. This project is expected to take approximately one year to complete and will not require Village funds.
- US41 Median Landscaping Enhancement: Construction will begin in the fall of 2019 and is expected to take up to six months to complete. This project is being funded via ~\$766,000 from FDOT and ~\$334,000 from the Village.
- Estero Parkway Roadway Improvements and Landscaping Enhancement: Construction will begin in the fall of 2019 and is expected to take six to nine months to complete. This project is being funded via ~\$2,200,000 from Lee County and ~\$7,100,000 from the Village.
- Bike & Pedestrian Master Plan: This is expected to be finalized in the Fall of 2019 and will provide a strategic direction for future bike and pedestrian improvements Village-wide, which constitutes a relatively new spending program for the Village.
- Geographic Information System (GIS) Implementation: This effort has been in development for some time, with an anticipated full rollout of public features to occur in early 2020. This integrated system, which will draw on data across Village and non-Village functions, will enhance the customer experience and staff productivity for minimal cost.

Community Development

Reflection:

The past year saw significant improvements to both our community and government. An outline of these projects is provided below.

- Comprehensive Plan: The inaugural Estero Comprehensive Plan was submitted to the State of Florida for their review in early 2018, a challenge was filed in the middle of 2018, and a settlement on said lawsuit was reached in May of 2019. This project represented a large effort, spanning several years and dozens of public meetings. Upon becoming effective, this plan will serve as the blueprint for Estero's next steps as a community.
- Land Development Code: Work began on the Village's first Land Development Code, to replace our current transitional code. This will paint a clearer picture of allowable development in the Village, providing the exceptional customer service and high quality development that we have come to expect in Estero. This is expected to be completed in the coming fiscal year.
- Lee Health Medical Center: Opened in December of 2018 in Village Center, the first phase of this project includes over 150,000 square feet of medical office and specialized care space, with the potential for an on-site hospital expansion to follow.

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Looking Ahead:

This year, the Village will look to build upon the completion of the Comprehensive Plan and encourage quality development in our community. A summary of these efforts is identified below.

- The Genova Project: This is a four story, high-quality, condominium development in the Village Center. This development represents an innovative approach to housing in the region, with strong sales supporting this model. Two buildings remain to complete construction, which is expected to occur in 2020.
- The Estero Grande Project: This mixed-use development, to include restaurants and apartment units, has been approved. Residential construction is underway and construction of Starbucks has been completed.
- The Corkscrew Crossing Project: This proposed residential development, to include 590 homes between the Preserve and Wildcat Run communities, will be presented to Council for consideration in the fall of 2019.
- The Estero Crossing Project: This proposed mixed use development, to include 350 residential multi-family units, 60,000 square feet of commercial space, and a 130 room hotel, will be presented to Council for rezoning consideration in late 2019.
- Continuing Construction: The following projects will continue construction in FY 19-20.
 - Estero Dialysis Center
 - Springhill Suites Marriott Hotel
- New Construction: The following projects will begin construction in FY 19-20.
 - Aldi Grocery Store
 - Sprouts Farmers Market
 - Miromar Outlets Hotel
 - Phoenix Assisted Living Facility
 - The Colonnade

Parks and Recreation

Reflection:

The past year reflected a significant shift in focus for the Village, as we turn towards park and recreation development and administration. The first piece of this puzzle is described below.

- Purchase of *Estero on the River*: Since closing on this 62.2 acre site in January of 2019, we have secured the non-occupied on-site structures to prevent unwelcome dwelling. A master planning process for this site will commence in FY 19-20.

Looking Ahead:

The year to come will provide a continuation of our progression into the provision of parks and recreation services. The major tenets of this effort are outlined below.

- Parks and Recreation Master Plan: This will be completed in the summer of 2019, providing the Village with a detailed inventory, set of objectives, and plan of action. We will begin to implement this vision in FY 19-20, as evidenced by our CIP priorities.
- Estero Community Park Enhancement: Through FY 18-19 we have continued discussions with Lee County, the owner and operator of Estero Community Park, regarding a potential partnership. Such an arrangement could provide for substantial improvements to the park, which would serve to greatly enhance the Parks and Recreation experience for Village residents. We are hopeful that this partnership will come to fruition in the year to come.

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Education

Reflection:

To continue to attract individuals and families of all ages, Estero’s educational opportunities must be exceptional. We are fortunate to have both an elementary and high school in Estero and Florida Gulf Coast University close by. Our educational efforts and results are discussed below.

- Estero Education Initiative: This partnership, between the Village and Lee County School District, which seeks to better leverage community resources, will help to propel these schools upward, yielding significant community dividends in the process.
- Pinewoods Elementary and Estero High School Score Well: Both Estero schools received high marks for the quality of education they provide, which is further described in the table below. This should be a source of tremendous pride for our Village community.

| | School Grade <u>2017</u> | School Grade <u>2018</u> |
|---|--------------------------------|--------------------------------|
| Bonita Springs Charter School | A | A |
| Bonita Springs Elementary School | A | A |
| Bonita Springs High School | N/A | B |
| Bonita Springs Middle Center for the Arts | B | B |
| Estero High School | C | A |
| Pinewoods Elementary School | A | B |
| San Carlos Park Elementary School | D | C |
| Spring Creek Elementary School | C | B |
| Three Oaks Elementary School | A | A |
| Three Oaks Middle School | A | A |

Looking Ahead:

Given our shared interests, we hope to build on our strong relationships with Florida Gulf Coast University and the Lee County School District over the coming year. Working together on meaningful projects, such as a regional water quality center, could greatly improve the Estero community and the quality of education available to our youth.

Economic Development

Reflection:

Quality, sustainable economic development is critical to the long-term health of our community. Provided below is a summary of our efforts and the outcomes over the past year.

- Support for Estero Chamber of Commerce: The Village voted to provide a one-time contribution of \$25,000 to the Estero Chamber to support the hiring of their first full-time Executive Director, with further funding contingent upon demonstrable results.
- Land Remains Highly Valued: Within the past year, over 200 acres of land were purchased by the Village, *Hospital Corporation of America*, and *Lee Health*. These purchases (62.2, 100, and 43 acres, respectively) cost, on average, more than \$460,000 per acre.

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Looking Ahead:

We remain confident in our economic prospects, given the strong demand for Village property and the robust national economy. While Estero taxable property values are estimated to grow a modest 1.1 percent in 2019, revenue is projected to increase 9.2 percent over the prior year’s budget. The disproportionate increase in revenue as compared to property value growth is positive and should help Estero weather future economic slowdowns.

Public Safety

Reflection:

Crime data for 2018 proves what many of us have long suspected: Estero is a uniquely safe community. The single area of concern is our homicide rate, which is unusually high due to the double homicide committed in the spring of 2018. This is atypical of Estero; there were zero homicides committed in 2015, 2016, and 2017. National, state, and local data is provided below.

Total Crime, Crime per 100,000 Inhabitants Rate, and Percent Change from 2017 to 2018, by Jurisdiction:

| | Homicide <u>2018</u> | Aggravated Assault <u>2018</u> | Robbery <u>2018</u> | Rape <u>2018</u> | Burglary <u>2018</u> | MV Theft ⁶ <u>2018</u> | Larceny Theft <u>2018</u> |
|----------------------------|---|--------------------------------------|--------------------------|--------------------------|-----------------------------|---|---------------------------------|
| United States ¹ | 17,168 ³ 5.3 ⁴ (+0.3%) ⁵ | 807,034 248.3 (+1%) | 316,733 97.4 (-4%) | 135,311 97.4 (+4%) | 1,400,031 430.7 (-7%) | 770,552 237.1 (+1%) | 5,493,774 1,690.3 (-2%) |
| State of Florida | 1,057 5.0 (-5%) | 58,031 276.5 (-3%) | 18,597 88.6 (-8%) | 7,940 37.8 (+5%) | 88,853 423.4 (-11%) | 42,914 204.5 (-1%) | 395,453 1,884.5 (-4%) |
| Estero ² | 2 6.3 (+100%) | 12 37.7 (-43%) | 5 15.7 (-38%) | 4 12.6 (-56%) | 26 81.7 (-35%) | 59 185.5 (+20%) | 272 855.2 (+18%) |

¹All United States and State of Florida data has been provided by the annual FBI Uniform Crime Report (UCR) (2017 data has been included until the 2018 data is released)

²All Estero data has been provided by Lee County Sheriff’s Office for 2018

³Total Crime

⁴Crime per 100,000 Inhabitants Rate

⁵Percent Change from 2017 to 2018

⁶MV Theft is an abbreviation for Motor Vehicle Theft

Looking Ahead:

While our crime levels are low, we remain committed to further reducing these figures. We will seek further improvements via our strong relationship with the Lee County Sheriff’s Office. Additionally, we could explore enhanced services, at an additional charge, in the future, if desired.

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Legislative Priorities

Reflection:

Our legislative requests were minor, as we begin to assume greater operational responsibilities and costs. The primary Village legislative request was submitted via a State grant program, which would have partially reimbursed the Village for our recent land purchase. Although we were not funded in this initial review cycle, we are confident that funding will be provided in one of the two coming funding cycles that we are eligible to partake in.

Looking Ahead:

As always, we remain confident in our ability to best meet the needs of our residents. As such, we place great emphasis on the defense of home rule, and stand opposed to efforts which seek to erode this important protection. In addition, we are hopeful that our regional improvement projects, such as the development of walking trails on our newly acquired property and our water quality protection efforts, will be supported at the State level.

Conclusion

The Village staff is proud to present this budget for FY 19-20. As has been evidenced above, the future of the Village is bright and full of opportunities to improve our beautiful community. We are all excited to continue this work into the 2019-2020 fiscal year!