



**Mayor Jim Burch
City of Cape Coral**

State of the City Address

March 2, 2009

Good evening. It is my pleasure to be with my fellow City Council members, the City Manager, City Attorney, staff and residents to present the State of the City for 2009.

While anyone reading or watching the news publications and broadcasts might think that this entire message can only be doom and gloom, the fact of the matter is that there are many reasons why, despite our economic challenges, the City of Cape Coral remains a wonderful place to live, work and play. While I will not insult the intelligence of our fine residents by attempting to paint our circumstances as “rosy”, neither will I fall prey to those who would deliver desperate messages of disaster and calamity. We clearly have challenges that need to be addressed and resolved. But times like these often create other opportunities – opportunities to streamline, persevere, improve and innovate! These are such times!

Over the past two years, the City has been dealing with serious revenue reductions in the General Fund. Because of our relatively unique circumstance of being a pre-platted City, linked with a lack of appropriate land planning over the last several decades, the City is burdened by an overwhelming dependence on ad valorem taxes. This impacts us in two ways –

- First, it is unfair to the residential taxpayers, who assume more than their fair share of the cost of city operations.
- Second, it exposes the City to serious revenue declines in times like these – when the assessed values are dramatically depressed.

Neither is good – but to have them occur together in a perfect storm like today is most difficult for all.

To be clear on how this impacts our residents, the following services are paid out of that General Fund: Police and Fire protection, Parks and Recreation, certain Public Works services like road repairs and maintenance, Economic Development, planning and zoning initiatives, records management, and support services like Human Resources, Financial Services and Information Technology. In short, most of the services that residents normally think of when they think of city services are funded out of the General Fund. Now unlike most other cities that enjoy a diversity of revenue sources in the General Fund (almost like diversifying your personal investment portfolio), the City of Cape Coral receives almost 70% of its General Fund revenues from ad valorem taxes. The remaining 30% of revenues in the General Fund come from state and other

miscellaneous sources – most of which are also declining this year. As a comparison, average percentages of ad valorem taxes in the General Fund in other cities are approximately 30% to 35%.

Therefore, the City's ability to expand, diversify, and stabilize its tax base will be a major factor in providing sufficient financial resources to fund and maintain the demand for services. As such, the City is evaluating several opportunities for stabilizing and diversifying our revenues. This will be an important component of our budget discussions as we commence the FY2009-2010 budget process. Please understand that even if the Council were to favorably consider these strategies, it would not mean a tax increase. Instead, the City would offset the millage rate with the implementation of these alternate revenue streams. All of these revenue diversification strategies would provide much needed support and stability to the General Fund in future years.

While I know that any discussion of new or different taxes, fees or other revenues are never popular, due to an anticipated additional 35% ad valorem revenue decrease in FY 2010 which will further erode funding for continuing operations and improvements, all options must remain on the table. Additional across the board examination of our fee collections and charges will also be necessary. These actions will have a long lasting impact on our government's ability to provide service and infrastructure repairs and improvements in future years.

As a "snapshot" of our financial health and, in spite, of this severe downturn the City of Cape Coral has increased its net assets in FY2008 by 31.2 million dollars or 4.5%. Our General Fund unreserved balance is 14.2 million dollars or 9.7% of operating expenses. Our Bond ratings range from Aa3 as general obligation to A in water and Sewer to A- in utility special assessments, all pointing toward our debt capacity being good for securing government funds. Although, our "snapshot" presents a healthy outlook it should also be monitored with vigilance with the goal to improve our assets, reserves and ratings even higher.

The downturn in the economy has also resulted in a significant increase in the number of foreclosures and abandoned properties. There have been more than 9,800 foreclosures in the City since January, 2008. Overgrowth of abandoned properties has been a looming concern since June 2007, requiring constant monitoring because of rapid deterioration due to the lack of maintenance. Although the City received \$7 million in Neighborhood Stabilization Program (NSP) funds to help stabilize the number of foreclosures, analysts predict foreclosure rates are likely to get worse – going up another 18% before tapering off in 2011. Through its lobbyist, the City has submitted enabling legislation to better address foreclosed properties and is working with local governmental agencies and community organizations to create a network to develop proactive measures to prevent and/or mitigate code enforcement actions prior to the sale of abandoned properties. We have also instituted programs to help those in dire need with regard to some of the fees associated with City revenue and infrastructure costs. The good news is that there are signs that the inventory of single family residential homes may be clearing as sales of approximately 4,626 in 2008 almost match the height of our "boom" in 2005 when sales were at 4,732. While the median sales price has been drastically reduced, we have become a more attractive City for the relocation of business and residents with affordable housing, an educated workforce and our location being the envy of all.

In order to address the "streamline, improve and innovate" portion of our responsibilities, in 2007, the City of Cape Coral undertook an improvement initiative called "Lean Government", in order to enhance our business processes. This initiative strives to eliminate all unnecessary steps and/or waste in a process to provide better efficiencies in the service to our residents. In FY08, The City of Cape Coral was successful in streamlining processes in various departments with over \$2,000,000 dollars in overall cost savings and/or cost avoidance. Clearly, opportunities abound with this strategy – and we are committed to supporting additional improvements through this effort.

The City continues to address key legislative issues at all levels of government for matters that could possibly affect the City and its residents. In order to be successful in both the short and long terms, strong relationships with organizations and leaders external to the City of Cape Coral must be developed and maintained. Sustaining these relationships and building additional relationships are priorities for the success of this activity. The continued use of an outside lobbyist will be essential to more aggressively advancing the City's initiatives. I will also personally commit to engaging in all communication possible to secure external funding when available. I have been speaking with our local, state and national legislators to secure whatever meaningful information and/or funding possible and will continue to do so.

In the future, it will be imperative that Cape Coral, as the largest City in Southwest Florida with a population that exceeds 25% of the total county population, assume its rightful place as not just a regional player, but as a leader. The days when the County and other regional players have excluded our city from important regional decisions cannot continue. That goal can only be realized when our elected officials band together for the greater interests of the City and our citizens support those efforts.

But revenue stabilization, improved operating efficiencies and political muscle, while critically important, will not (in and of themselves) improve the future of our City's economy. Approximately 45% of the City's total land area is developed with only 13% of its tax revenue derived from commercial businesses. A concerted effort to rebalance the allocation of land uses – that is: reducing residential land uses while increasing non-residential land uses must be undertaken. Only by rebalancing these percentages, can the residents hope to have some of the tax burden lifted from their shoulders. We need to strive to increase our non-residential land uses from approximately 13% to better than 20-25% - like most other cities. In order to achieve this, the implementation of a methodically designed and implemented build-out plan is essential in shaping future development. Managing growth in a master-planned or pre-platted community is the single largest major challenge impacting the development of a build-out plan for the City. Revisions to land use regulations that are business friendly and encourage development of commercial centers and/or mixed use activity centers are underway – and must continue.

Obviously, linked to these proposals must be strong economic development efforts. Over the past five years, our Economic Development efforts have included strategies to facilitate economic diversification to expand the city's tax base; to help showcase Cape Coral as a unique market location for business; to provide resources and tools to enable businesses to make the best choices for expansion or relocation. These strategies have resulted in literally millions of additional square feet of retail and office being constructed. One need only look at the changed landscape on the Pine Island Road Corridor to witness just some of the impacts of these efforts. In the future, EDO will need to

continue strategic marketing, regional outreach and the use of job creation incentives as recruitment tools. It is also imperative that future land use and zonings are solidified so that adequate lands are available for adequate commercial development at build-out. Direct recruitment of targeted businesses will continue to be a strong strategy.

In addition to these strategies, when developers, builders, businesses and residents come to the city for permits to improve their properties, the city must be able to respond quickly and professionally to these requests. While this may be a challenge in the near term due to staffing issues, creative ways to achieve acceptable levels of service will be important as we compete against other entities in this and other areas of the state. I can tell you, as an example of private/public cooperative efforts, that the developer for the Charter High School, McGarvey Development, was effusive in their praise of the City staff's willingness to facilitate the permitting process while maintaining the integrity of the building process.

So why are our future land planning, financial stability, better efficiencies, prudent use of our funds, political place in the region and economic development important? Three words...

QUALITY OF LIFE...

And for our residents, our quality of life is the result from focused efforts and attention in four major areas: public safety, responsiveness to our citizens, transportation and our environment.

With regard to Public Safety...

Our Police and Fire Departments are always here to serve. When we call, no matter what time of day, our finest are there for us.

Our Police Department, in partnership with our residents, is largely responsible for Cape Coral being the fifth safest City in the State. Further, the national Commission on Accreditation for Law Enforcement Agencies (CALEA) re-accredited the department for the fifth time, and for the first time, awarded a second consecutive Flagship Agency recognition to the department. As residents, we like to hear that crime is down, getting to calls is happening faster and that solved crimes are up – sending the signal that if you are going to do crime in Cape Coral – you're likely to get caught. The Police Department shines in all three categories – crime is estimated to be down by close to 9% over last year, our response times to calls are 33% faster and cases solved percentages have increased. Continued success in providing police services will be centered around ongoing support of the essential services of this department.

Our Fire Department is charged with not only fighting fires, but also responding to medical emergencies, inspecting our businesses for safety and coordinating our responses to man-made as well as natural emergencies. Contrary to businesses that have seen a reduction in their customers and services, the Fire Department experienced a 4% increase in calls for service and a 22% increase in reported structure fires in 2008 over the prior year. Statistically, the response times for the Fire Department today are not as close to the national standards as we would desire. This is a function; however, of staffing, the ongoing need to locate fire stations in closer proximity to calls and continuing to work with other area Fire Departments to address the increasing demands

for services, coupled with the limited resources available for responding to large incidents and multiple calls simultaneously. In addition, our unique canal system also tends to impede direct access to trouble spots in many instances. The fire service community as a whole will need to expand automatic/mutual aid agreements, and participate in multi-jurisdictional training to offset those obstacles. Our Fire Department is constantly seeking innovative ways and training devices and programs to overcome the physical obstacles and infrastructure shortcomings that exist in certain parts of our City, and to that end, we should be proud of those efforts.

With regard to Responsiveness to our Citizens...

Responsiveness to the needs of its citizens should be a primary concern for every municipality. Towards that end, the Citizens' Action Center exists to ensure citizens and employees that they will receive requested information from a "live" person in a timely, accurate and professional manner. They provide a one-stop call center to report issues or submit inquiries relating to the City. Not only are reports sent to the departments for handling, a response back to the concerned citizen is provided by the Action Center.

Further, because of the importance of public records in the State of Florida, the Records Management Division provides citizens with access to public records, and manages the official files of the City of Cape Coral in accordance with Florida State Statutes. This Division also provides a vital records protection and archival program for the preservation of the history of the City of Cape Coral and has established a historical section on the department's web site.

Thanks to the efforts of all the departments, supported by our nationally recognized Information Technology Department, the City's website continues to be a source of important information to all our residents.

Public information is an important aspect of public service in Cape Coral. The services of a professional public information officer provide the public a more transparent, accessible flow of information not only through our own television programs and printed material, but also through the region's print and other media.

In the future, the City must maintain and enhance its ability to inform and serve the public through increased use of technology.

With regard to Transportation...

Key to our ability to handle traffic - today - and into the future will be a strong and active transportation improvement effort. Operations will focus on completing the Santa Barbara and Del-Prado widening projects. These on-going projects will aid in moving traffic north and south in the City's eastern and central sectors. The planned Chiquita project will remain a priority in developing major north/south roadways in the City. Opportunities exist in the northern portion of the City for developing the major east to west roadways as well as aiding the county with the Burnt Store Road widening project. Unfortunately, funding challenges will adversely impact our ability to complete some of these transportation projects, as well as local road maintenance and sidewalk construction. It is hoped that economic stimulus funds being debated in Washington D.C. will allow the City to continue with already planned, major capital transportation

projects, although due to the NEPA federal requirements, the City does not appear to qualify for the transportation dollars being allocated.

With regard to our environment....

Most of us live in Cape Coral for the unparalleled opportunity to enjoy the year-round sunshine, water recreation and sub-tropical temperatures. But our use of limited natural resources must be protected as time goes on. While controversial, our Utility Expansion Program (UEP) is in place to achieve three important goals: to protect against salt water intrusion and failure of potable drinking water wells, to protect and preserve the shallow aquifer, and finally, to prevent the degradation of our canals due to pollution from densely placed septic systems. The City's utility system is truly integrated as well. This integration allows us in to preserve potable water while the irrigation system uses treated sewer flow (reclaimed water) supplemented by fresh canal water to keep our yards green. This not only preserves our most precious resource, potable water, but also assists the environment by utilizing our sewer flows. Increased irrigation water supplies will be enhanced with evolving construction of the City's new Aquifer Storage Recovery (ASR) wells. In the future, the City will need to continue its efforts at utility expansion (approximately half complete at this time), while constantly monitoring the methodology and costs involved. The City of Cape Coral has also been very diligent in searching for methods to help those that cannot afford the UEP at a given moment in time, by creating deferred payment programs, hardship programs and other methods of assistance as well. Few cities spend the time that Cape Coral has in creating programs to help its citizens mitigate the costs of the services provided.

The quality of our canal water is important, not only to its residential neighbors living in Cape Coral, but to our neighbors on unincorporated Pine Island and beyond. Intergovernmental discussions have commenced regarding the City's storm water management system. These talks, part of the Environmental Management Agreement process, are designed to measure, assess and mitigate (if necessary), the impacts of proliferating site septic sewer systems, fertilization, aging storm water pipes and roadways. In addition to a growing population, the results of these talks may significantly influence the city's strategies with regard to these systems in the future. In addition, an ordinance to control the discharge of fertilizers is working its way through the process to come before the Council later this year. The eventual outcome of that legislation will also serve to protect our water quality as our lifeline to sustaining our quality of life.

In addition to our natural resources, we are blessed with an abundance of wild life as a part of our environment. City resources in two separate departments are devoted to protecting this wild life for all to enjoy. Included as a part of these protected species are the Bald Eagle, Gopher Tortoise, Scrub Jays and of course, the City's official bird – the Burrowing Owl. The County's manatee protection plan provides parameters within which we all must operate to protect the manatee. The City will need to continue its activities to protect our wildlife – not just because it is a source of tourism interest, but more importantly, because it is the right thing to do – for our generation – and those to follow.

Last, but certainly not least, it is important to live in an environment where we, as humans, have activities that challenge and excite us. Clearly, through the facilities and activities provided by the City, there are fun, educational and creative ways to spend our

time enjoying our lives here in Cape Coral. Park green spaces and recreation programming bring innumerable dividends to our residents. Parks and Recreation funding is an investment in creating balanced growth, increasing health and well being for Cape Coral residents, protecting our natural resources, generating economic activity, building a strong community and enhancing the overall quality of life for our citizens. Cape Coral is home to 35 parks located on more than 1,000 acres of parkland throughout the City, a professionally maintained 18-hole golf course, a beach, multiple board walks and boat ramps as well as a unique water park facility. Link these facilities to social and educational program offerings, and a good "environment" takes on a whole new meaning – for people of all ages! With budgets getting tighter and resources shrinking, the future will see the City in a maintenance mode through this economic slump, while preserving the assets that we have and making them better where possible.

IN CONCLUSION,

I have made it no secret that these are trying times. We have a population of over 165,000 people, needing and having the right to expect services from its municipal government. Simultaneously, we are operating in perhaps the most challenging financial and economic environment that we have ever faced.

But as I said in the beginning, times like these force us to look at what we do, how well we do it and what opportunities we have to improve our situation.

I am confident with the City Council, staff and residents working together, that we can overcome the difficulties we face today and come out a stronger community tomorrow. Growth and the economy will recover – and so will we. I look forward to working with all of you to get us ready for the next great growth period in our City.

May God bless you - - and may God Bless the City of Cape Coral!

Thank you.