

# Financial Condition Assessment Overview

Listing of Financial Indicators  
FY 2016

# Financial Condition Assessment Overview

The Financial Condition Assessment has been completed by the City's Financial Services Department staff and reviewed by independent auditors. Financial condition refers to a local government's ability to provide services at the level and quality that are required for the health, safety, and welfare of the community, and that its citizens desire. Below is the summary of the fiscal year 2016 Financial Condition Assessment for the City of Pensacola.

Beginning in fiscal year 2001, the Florida State Statutes and the Auditor General have required a Financial Condition Assessment be performed as part of the annual audit. The assessment consists of 29 financial indicators expressed as ratios and trends. The evaluation of each financial indicator consists of a five-year trend analysis based on the City's historical financial information and a comparison of City financial data to a benchmark grouping. For each of the 29 financial indicators, the trend analysis and the benchmark comparison are rated as favorable, unfavorable or inconclusive based on criteria from the Auditor General. The summary of the results of the financial indicator ratings determines the government's Financial Condition Assessment overall rating.

# Financial Condition

## Assessment Overview (Continued)

In fiscal year 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. GASB Statement No. 68 ushers in two substantial changes. The first is each government that offers defined pension benefits to its employees will be required to report on the face of its financial statements the unfunded pension obligation (the “Net Pension Liability”). In the past, the Net Pension Liability was shown in the notes to the financial statements only.

The second substantial change ushered in by GASB Statement 68 is that each local government participating in a defined benefit cost-sharing multiple-employer pension plans, such as the Florida Retirement System (FRS), will be required to report on the face of its financial statements their proportionate share of the “collective” Net Pension Liability. In the past, governments did not directly report information about their proportionate share of these pension obligations. Instead, governments only reported a liability to the extent that they failed to make their required contributions.

# Financial Condition

## Assessment Overview (Continued)

The Net Pension Liability is recorded at the fund level for proprietary activities and the allocated amount for governmental activities is presented at the government-wide level. The governmental fund-level statements are not affected by this pronouncement which use a modified-accrual basis of accounting.

It is also important to point out that Financial Indicator No. 3 compares unassigned and assigned fund balance to total expenditures which is a contradiction of the Government Finance Officers Association's (GFOA) Best Practice recommendation for a government to maintain in its general fund unrestricted fund balance no less than two months of general fund operating expenditures. Unrestricted fund balance would include unassigned, assigned and committed. Based on the GFOA Best Practices recommendation, the City's meets the requirement.

# Financial Condition

## Assessment Overview (Continued)

The City of Pensacola's overall rating is inconclusive which means "leading to no conclusion or definite result" for fiscal year 2016. The City of Pensacola's rating has been inconclusive for thirteen of the last fifteen fiscal years. For fiscal year 2009 and 2012 the rating was unfavorable; however, the City's condition would have remained inconclusive if there were no unspent Airport bond proceeds in fiscal years 2008 and 2009.

The primary focus of the assessment is to determine if the City is either in a deteriorating financial condition or in a state of financial emergency. The City is in neither position and continues to maintain a stable outlook.

# Financial Condition Assessment Overview

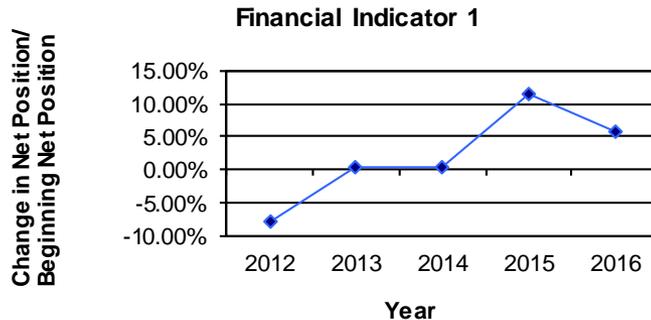
	<u>Fiscal Year 2016</u>		<u>Fiscal Year 2015</u>		<u>Fiscal Year 2014</u>	
Favorable	35%	9	38%	10	38%	10
Unfavorable	46%	12	23%	6	35%	9
Inconclusive	19%	5	38%	10	27%	7
Total Applicable	<u>100%</u>	26	<u>100%</u>	26	<u>100%</u>	26
N/A		3		3		3
Total		<u>29</u>		<u>29</u>		<u>29</u>
Overall Rating	<b>Inconclusive</b>		<b>Inconclusive</b>		<b>Inconclusive</b>	

City Council and management are responsible for monitoring financial condition. While the five-year trend indicates an inconclusive position, the Chief Financial Officer has stated that the City is in good financial condition. This will continue as long as the City budget is structured so that on-going revenues will fund on-going expenditures and departments operate within their appropriations.

The *Financial Condition Assessment Overview* has also been provided. Please contact Richard Barker, Jr., Chief Financial Officer, for questions regarding the assessment.

# Financial Indicator 1

## Change in Net Position / Beginning Net Position



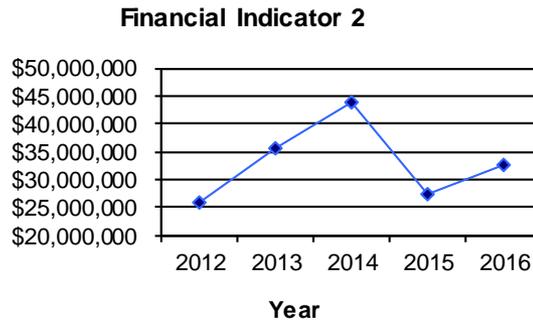
Unfavorable = ▼		Favorable = ▲	
Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	173%	Y5 Entity	5.75%
Y2 to Y5 Diff	3047%	Y5 Bench	3.70%
Y3 to Y5 Diff	1416%	Y5 Entity to Bench Diff	56%
<b>Trend:</b>	<b>Favorable</b>	<b>Benchmark Comparison:</b>	<b>Favorable</b>
<b>Overall Rating:</b>		<b>Favorable</b>	

- Governmental Activities.
- Decreasing results over time indicate that financial position is weaker as a result of resource flow.
- The rating is favorable as the change in net position has increased since 2012. The 2012 indicator was negative as the City recognized a \$19.5 million long-term contribution to Emerald Coast Utilities Authority for the Main Street Waste Water Treatment Plant Relocation project.
- The increase in 2015 can be attributed to unspent settlement proceeds and decreased functional expenses due to the deferral of current year pension cost required for the implementation of GASB Statement No. 68. While City settlement proceeds and pension cost did not have much of an affect in 2016, there was still a \$7.9 million increase in the City's net position.

# Financial Indicator 2

## Unassigned and Assigned FB + Unrestricted NP

Unassigned and Assigned  
FB + Unrestricted NP  
(Constant \$)



Unfavorable = ▼

Favorable = ▲

Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	25%	Y5 Entity	\$ 32,421,377
Y2 to Y5 Diff	-9%	Y5 Bench	\$ 43,070,104
Y3 to Y5 Diff	-26%	Y5 Entity to Bench Diff	-25%

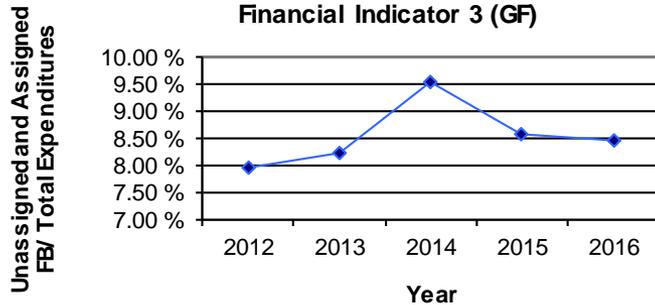
  

<b>Trend:</b>	Inconclusive	<b>Benchmark Comparison:</b>	Inconclusive
<b>Overall Rating:</b>	Inconclusive		

- General, Debt Service, Capital Projects, Enterprise and Internal Service Funds.
- Amounts in constant dollars (adjusted for inflation).
- Declining results may indicate difficulty maintaining a stable tax and revenue structure and/or adequate levels of service. Deficits may indicate a financial emergency.
- The rating is inconclusive due to an inconsistent trend over the past few years. The sharp decline in 2015 was a result of a \$17.3 million decrease in the enterprise and internal service funds unrestricted net position primary attributable to the recognition of \$23.5 million in prior year unfunded pension obligations which was offset with \$1.6 million in reduced pension cost due to the implementation of GASB Statement No. 68.

# Financial Indicator 3 (GF)

## Unassigned and Assigned FB/Total Expenditures



Unfavorable = ▼

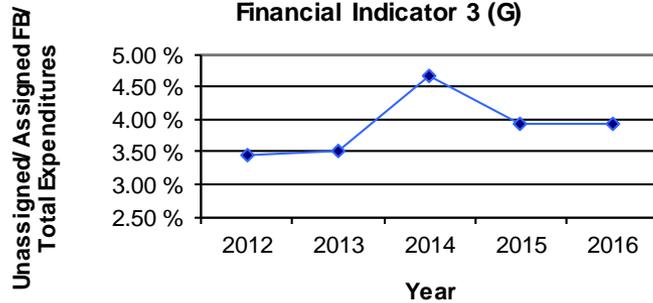
Favorable = ▲

Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	6%	Y5 Entity	8.46%
Y2 to Y5 Diff	3%	Y5 Bench	41.82%
Y3 to Y5 Diff	-11%	Y5 Entity to Bench Diff	-80%
<b>Trend:</b>	<b>Unfavorable</b>	<b>Benchmark Comparison:</b>	<b>Unfavorable</b>
<b>Overall Rating:</b>		<b>Unfavorable</b>	

- General Fund.
- Percentages decreasing over time may indicate unstructured budgets that could lead to future budgetary problems even if current fund balance is positive.
- The rating is unfavorable as the City's general fund unassigned and assigned fund balance has decreased over the past few years. While unassigned and assigned fund balance decreased, total fund balance has increased. The increase can be attributed to the amount set aside for Council Reserves. Since Council Reserves is considered a committed fund balance, it is not taken into account in this indicator.

# Financial Indicator 3 (G)

## Unrestricted FB/Total Expenditures



Unfavorable = ▼

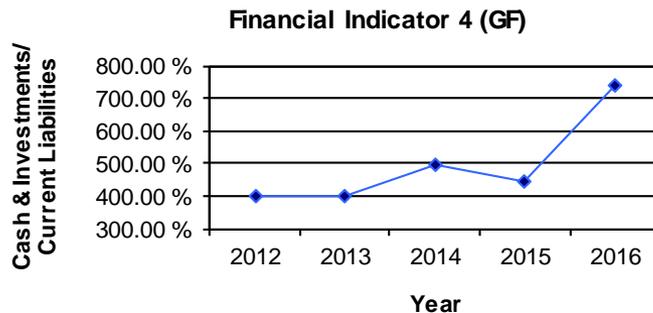
Favorable = ▲

Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	14%	Y5 Entity	3.93%
Y2 to Y5 Diff	12%	Y5 Bench	28.47%
Y3 to Y5 Diff	-16%	Y5 Entity to Bench Diff	-86%
<b>Trend:</b>	<b>Unfavorable</b>	<b>Benchmark Comparison:</b>	<b>Unfavorable</b>
<b>Overall Rating:</b>		<b>Unfavorable</b>	

- General, Special Revenue, Debt Service and Capital Project Funds.
- Percentages decreasing over time may indicate unstructured budgets that could lead to future budgetary problems even if current fund balance is positive.
- The rating is unfavorable as the City's governmental funds unassigned and assigned fund balance has decreased over the past few years. While unassigned and assigned fund balance decreased, total fund balance has increased.

# Financial Indicator 4 (GF)

## Cash and Investments/Current Liabilities



Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	86%	Y5 Entity	741.97%
Y2 to Y5 Diff	87%	Y5 Bench	658.16%
Y3 to Y5 Diff	50%	Y5 Entity to Bench Diff	13%

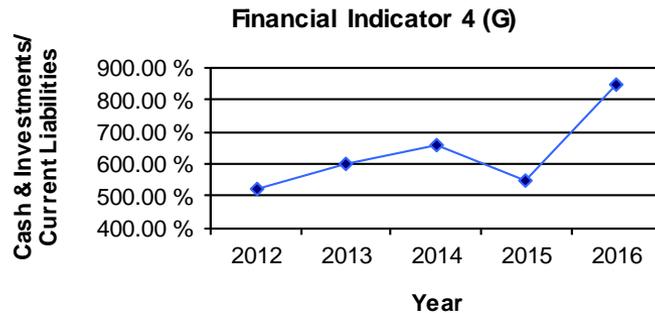
  

<b>Trend:</b>	<b>Favorable</b>	<b>Benchmark Comparison:</b>	<b>Inconclusive</b>
<b>Overall Rating:</b>		<b>Favorable</b>	

- General Fund.
- Percentages decreasing over time may indicate difficulty raising cash needed to meet current needs or that the government has overextended itself in the long run.
- The rating is favorable due to decreasing in liabilities over the past few years while cash and investments have remained relatively consistent. Changes in liabilities have an adverse effect on the indicator. In 2016 the indicator increased due to decreases in wages and benefits payable.

# Financial Indicator 4 (G)

## Cash and Investments/Current Liabilities

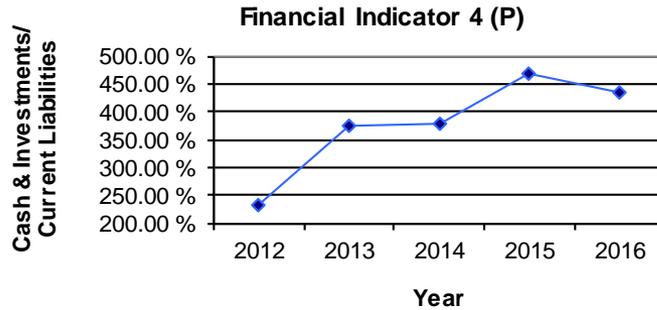


Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	63%	Y5 Entity	849.47%
Y2 to Y5 Diff	43%	Y5 Bench	1005.07%
Y3 to Y5 Diff	29%	Y5 Entity to Bench Diff	-15%
<b>Trend:</b>	<b>Favorable</b>	<b>Benchmark Comparison:</b>	<b>Inconclusive</b>
<b>Overall Rating:</b>		<b>Favorable</b>	

- General, Special Revenue, Debt Service and Capital Project Funds.
- Percentages decreasing over time may indicate difficulty raising cash needed to meet current needs or that the government has overextended itself in the long run.
- The rating is favorable due to decreasing liabilities over the past few years while cash and investments have remained relatively consistent. Changes in liabilities have an adverse effect on the indicator. In 2016 the indicator increased due to decreases in wages and benefits payable and contracts payable.

# Financial Indicator 4 (P)

## Cash and Investments/Current Liabilities



Unfavorable = ▼ Favorable = ▲

Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	88%	Y5 Entity	435.00%
Y2 to Y5 Diff	16%	Y5 Bench	461.06%
Y3 to Y5 Diff	15%	Y5 Entity to Bench Diff	-6%

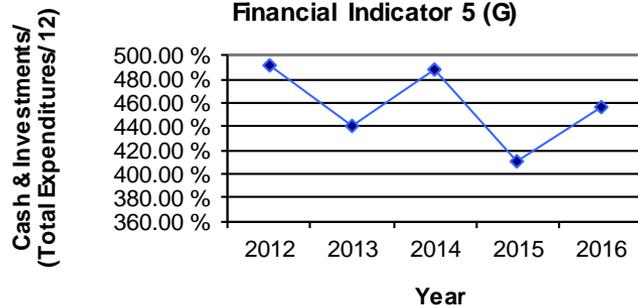
  

<b>Trend:</b>	<b>Favorable</b>	<b>Benchmark Comparison:</b>	<b>Inconclusive</b>
<b>Overall Rating:</b>		<b>Favorable</b>	

- Proprietary Funds (Enterprise and Internal Service Funds).
- Percentages decreasing over time may indicate difficulty raising cash needed to meet current needs or that the government has overextended itself in the long run.
- The rating is favorable due to increases in cash and decreases in liabilities over the past few years. The incline in 2015 is based on increased cash and investments in the utility fund which is used to fund reserves.

# Financial Indicator 5 (G)

Cash and Investments/(Total Expenditures/12)

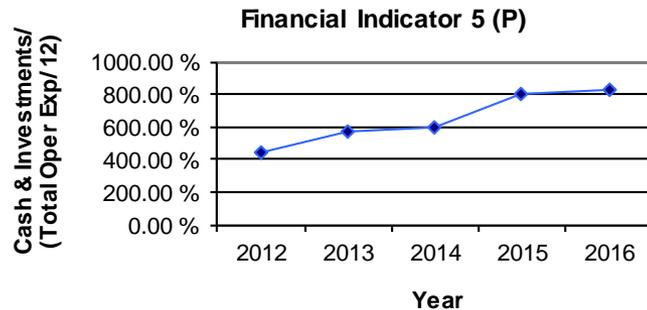


Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	-7%	Y5 Entity	455.68%
Y2 to Y5 Diff	4%	Y5 Bench	840.44%
Y3 to Y5 Diff	-6%	Y5 Entity to Bench Diff	-46%
<b>Trend:</b>	<b>Inconclusive</b>	<b>Benchmark Comparison:</b>	<b>Inconclusive</b>
<b>Overall Rating:</b>		<b>Inconclusive</b>	

- General, Special Revenue, Debt Service and Capital Projects Funds.
- Percentages decreasing over time may indicate difficulty raising cash needed to meet current needs or that the government has overextended itself in the long run.
- The rating is inconclusive due to an inconsistent trend over the past five years.
  - In 2013 cash and investments decreased while governmental expenditures remained constant. The decrease in cash and investments is attributable to the transfer of private donations held by the City on behalf of the CMPA returned to the CMPA.
  - In 2014 cash and investments slightly increased while governmental expenditures decreased. The decrease expenditures can be attributed to a reduction in debt service, a reduction in capital purchases and the disposition of the West Florida Public Library system.
  - In 2015 cash and investments decreased slightly while expenditures increased. The major increases in governmental funds' expenditures stems from increases in capital purchases and Housing Assistance funding.
  - In 2016 cash and investments increased while expenditures decreased slightly. The increases in cash and investments is attributable to capital bond proceeds from the issuance of the Local Option Gas Tax Revenue Bond, Series 2016 which were set aside to pay for future debt service payments.

# Financial Indicator 5 (P)

Cash and Investments/(Total Operating Expense/12)



Unfavorable = ▼

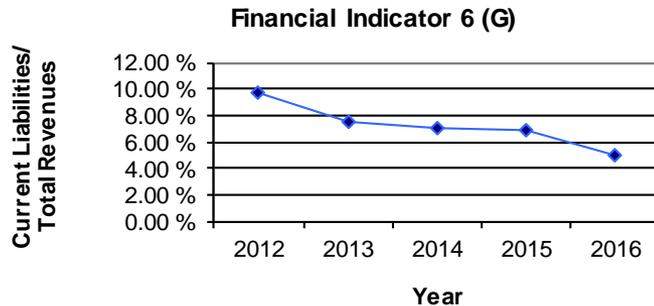
Favorable = ▲

Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	87%	Y5 Entity	827.31%
Y2 to Y5 Diff	44%	Y5 Bench	1396.80%
Y3 to Y5 Diff	38%	Y5 Entity to Bench Diff	-41%
<b>Trend:</b>	<b>Favorable</b>	<b>Benchmark Comparison:</b>	<b>Inconclusive</b>
<b>Overall Rating:</b>		<b>Favorable</b>	

- Proprietary Funds (Enterprise and Internal Service Funds).
- Percentages decreasing over time may indicate difficulty raising cash needed to meet current needs or that the government has overextended itself in the long run.
- The favorable rating is due to the increase in cash over the past three fiscal years. The incline in 2015 is based on increased cash and investments in the utility fund which is used to fund reserves.

# Financial Indicator 6 (G)

## Current Liabilities/Total Revenue



Unfavorable = ▲

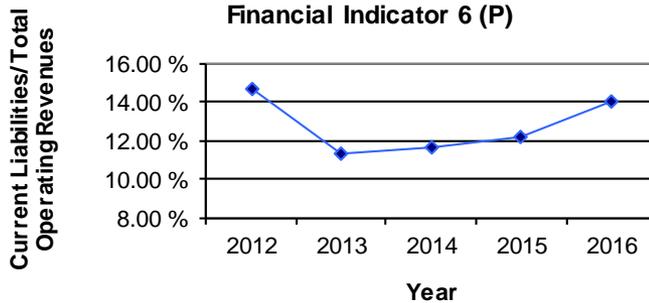
Favorable = ▼

Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	-49%	Y5 Entity	4.95%
Y2 to Y5 Diff	-33%	Y5 Bench	7.03%
Y3 to Y5 Diff	-29%	Y5 Entity to Bench Diff	-30%
<b>Trend:</b>	<b>Favorable</b>	<b>Benchmark Comparison:</b>	<b>Inconclusive</b>
<b>Overall Rating:</b>		<b>Favorable</b>	

- General, Special Revenue, Debt Service and Capital Projects Funds.
- Increasing results may indicate liquidity problems, deficit spending or both.
- The rating is favorable due to a greater increase in total revenues than in current liabilities over the past few years. In 2016 the indicator decreased due to decreases in wages and benefits payable and contracts payable.

# Financial Indicator 6 (P)

## Current Liabilities/Total Operating Revenue



Unfavorable = ▲ Favorable = ▼

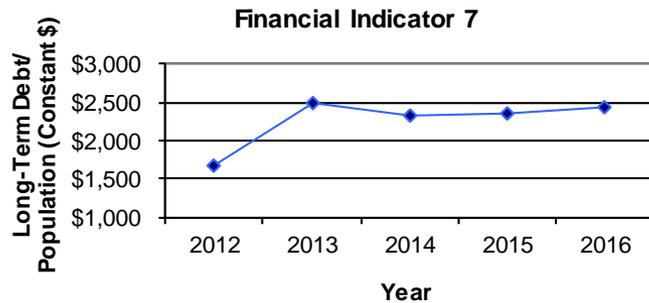
Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	-4%	Y5 Entity	14.05%
Y2 to Y5 Diff	24%	Y5 Bench	19.13%
Y3 to Y5 Diff	21%	Y5 Entity to Bench Diff	-27%

<b>Trend:</b>	<b>Unfavorable</b>	<b>Benchmark Comparison:</b>	<b>Inconclusive</b>
<b>Overall Rating:</b>		<b>Unfavorable</b>	

- Proprietary Funds (Enterprise and Internal Service Funds).
- Increasing results may indicate liquidity problems, deficit spending or both.
- The rating is unfavorable due to the fluctuations in current liabilities and operating revenues over the past few years. In 2016 the indicator increased due to increases in the airport fund's contracts payable related to the VT MAE project.

# Financial Indicator 7 (G)

## LT Debt/Population

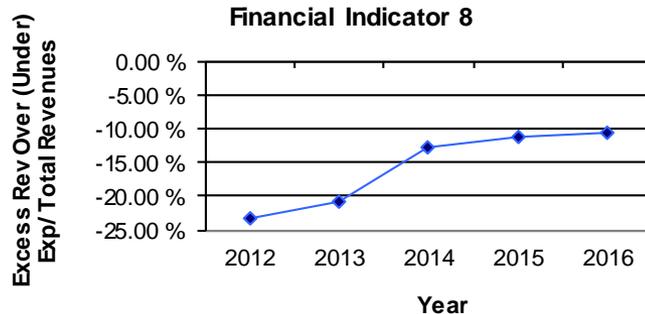


Unfavorable = ▲		Favorable = ▼	
Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	46%	Y5 Entity	\$ 2,433
Y2 to Y5 Diff	-2%	Y5 Bench	\$ 620
Y3 to Y5 Diff	4%	Y5 Entity to Bench Diff	292%
<b>Trend:</b>	<b>Unfavorable</b>	<b>Benchmark Comparison:</b>	<b>Unfavorable</b>
<b>Overall Rating: Unfavorable</b>			

- General, Debt Service and Capital Projects Funds.
- LT Debt amount in constant dollars.
- Percentages increasing over time may indicate a decreasing level of flexibility in how resources are allocated or decreasing ability to pay long-term debt.
- The rating is unfavorable due to the recognition of the \$19.5 million liability to ECUA for the relocation of the Main Street Wastewater Treatment Plant in 2012 and the 2013 change in accounting principal which requires the City to blend CMPA into the City's financials resulting in the addition of \$54.1 million in in long-term debt.

# Financial Indicator 8 (G)

## Excess Revenue Over (Under) Exp/Total Revenue



Unfavorable = ▼ Favorable = ▲

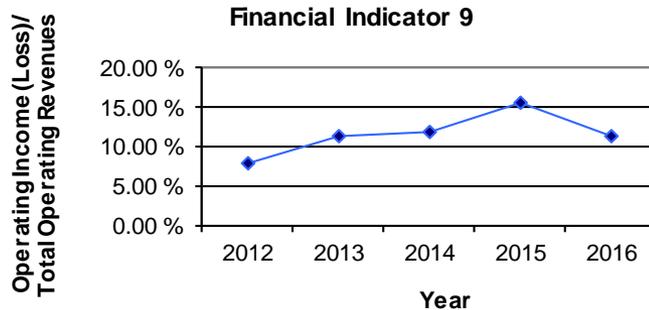
Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	54%	Y5 Entity	-10.70%
Y2 to Y5 Diff	48%	Y5 Bench	-1.32%
Y3 to Y5 Diff	16%	Y5 Entity to Bench Diff	-710%

<b>Trend:</b>	<b>Favorable</b>	<b>Benchmark Comparison:</b>	<b>Unfavorable</b>
<b>Overall Rating:</b>		<b>Inconclusive</b>	

- General, Special Revenue, Debt Service and Capital Projects Funds.
- Decreasing surpluses and/or increasing deficits may indicate that current revenues are not supporting current expenditures.
- The inconclusive rating is more related to the benchmark than the City itself as the trend data is favorable. The City's trend rating is favorable due to increases in revenues or decreases in expenses since 2012. The sharp increase in 2014 is due to a reduction in debt service, a reduction in capital purchases and the disposition of the West Florida Public Library system.

# Financial Indicator 9 (P)

## Operating Income (Loss)/Total Operating Revenue

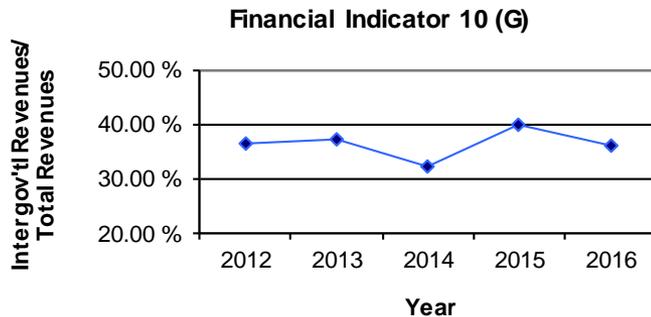


Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	43%	Y5 Entity	11.33%
Y2 to Y5 Diff	1%	Y5 Bench	17.19%
Y3 to Y5 Diff	-4%	Y5 Entity to Bench Diff	-34%
<b>Trend:</b>	<b>Inconclusive</b>	<b>Benchmark Comparison:</b>	<b>Inconclusive</b>
<b>Overall Rating:</b>		<b>Inconclusive</b>	

- Proprietary Funds (Enterprise and Internal Service Funds).
- Decreasing income and/or increasing losses may indicate that current revenues are not supporting current expenses.
- The rating is inconclusive due to an inconsistent trend in operating income over the past few years. The increase in 2015 was a result of a \$1.6 million in reduced pension cost due to the implementation of GASB Statement No. 68. In 2016, the utility fund started a multi-year project to cut and cap dormant gas lines older than five years. The additional cost of this project was the primary factor for the decrease in 2016.

# Financial Indicator 10 (G)

## Intergovernmental Revenue/Total Revenue

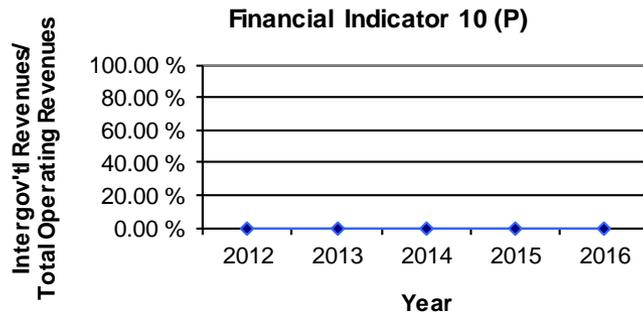


Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	-1%	Y5 Entity	36.02%
Y2 to Y5 Diff	-3%	Y5 Bench	22.48%
Y3 to Y5 Diff	12%	Y5 Entity to Bench Diff	60%
<b>Trend:</b>	<b>Inconclusive</b>	<b>Benchmark Comparison:</b>	<b>Unfavorable</b>
<b>Overall Rating:</b>		<b>Unfavorable</b>	

- General, Special Revenue, Debt Service and Capital Projects Funds.
- Percentages increasing over time indicate a greater risk due to increased dependence on outside revenues.
- The unfavorable rating is more related to the benchmark than the City itself. Other municipalities of similar population and taxable property values have less intergovernmental revenues in relation to total revenue. There are few municipalities that run a federally funded housing program. The 2015 increase in is attributable to increased Housing Assistance funding levels and reimbursements related to the Natural Disaster Fund.

# Financial Indicator 10 (P)

## Intergovernmental Revenue/Total Operating Revenue



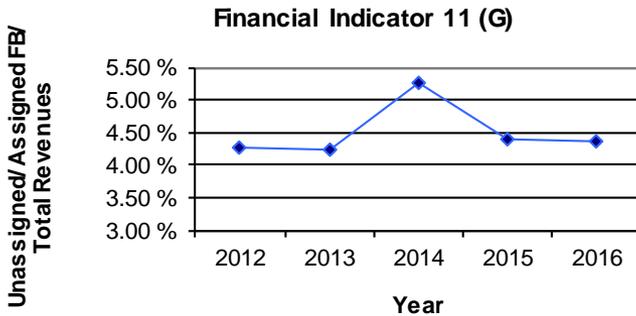
Unfavorable = ▲ Favorable = ▼

Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff		Y5 Entity	0.00%
Y2 to Y5 Diff		Y5 Bench	0.29%
Y3 to Y5 Diff		Y5 Entity to Bench Diff	-100%
<b>Trend:</b>		<b>Benchmark Comparison:</b>	
<b>Overall Rating:</b>		<b>N/A</b>	

- Proprietary funds (Enterprise and Internal Service Funds) collect no intergovernmental revenue, therefore, the financial indicator is not applicable.

# Financial Indicator 11 (G)

## Unassigned/Assigned FB/Total Revenue



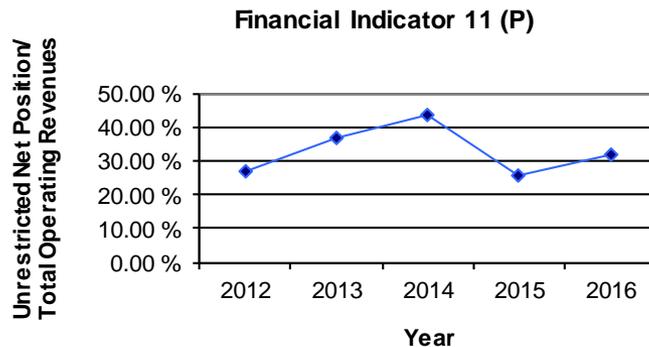
Unfavorable = ▼ Favorable = ▲

Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	2%	Y5 Entity	4.35%
Y2 to Y5 Diff	3%	Y5 Bench	31.01%
Y3 to Y5 Diff	-17%	Y5 Entity to Bench Diff	-86%
<b>Trend:</b>	<b>Unfavorable</b>	<b>Benchmark Comparison:</b>	<b>Unfavorable</b>
<b>Overall Rating:</b>		<b>Unfavorable</b>	

- General, Debt Service and Capital Projects Funds.
- Decreasing results may indicate a reduction in the ability to withstand financial emergencies and/or ability to fund capital purchases without having to borrow.
- The rating is unfavorable as the City's governmental funds unassigned and assigned fund balance has decreased over the past few years. While unassigned and assigned fund balance decreased, total fund balance has increased. The spike in 2014 was the result of a decrease in intergovernmental revenues. Changes in revenues have an adverse effect on the indicator.

# Financial Indicator 11 (P)

## Unrestricted NP/Total Operating Revenue



Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	19%	Y5 Entity	32.05%
Y2 to Y5 Diff	-12%	Y5 Bench	70.88%
Y3 to Y5 Diff	-26%	Y5 Entity to Bench Diff	-55%

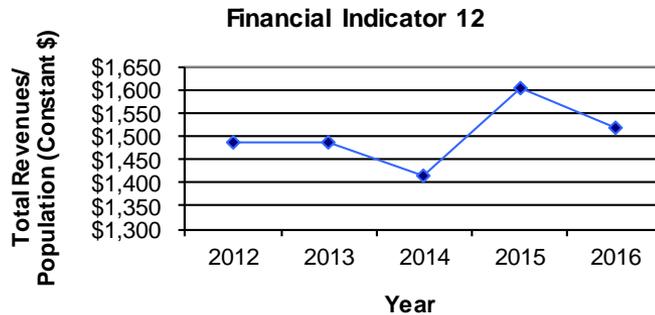
  

<b>Trend:</b>	<b>Inconclusive</b>	<b>Benchmark Comparison:</b>	<b>Unfavorable</b>
<b>Overall Rating:</b>		<b>Unfavorable</b>	

- Proprietary Funds (Enterprise and Internal Service Funds).
- Decreasing results may indicate a reduction in the ability to withstand financial emergencies and/or ability to fund capital purchases without having to borrow.
- The rating is unfavorable as unrestricted net position has decreased over the past few years. The sharp decline in 2015 was a result of a \$17.3 million decrease in the enterprise and internal service funds unrestricted net position primary attributable to the recognition of \$23.5 million in prior year unfunded pension obligations which was offset with \$1.6 million in reduced pension cost due to the implementation of GASB Statement No. 68.

# Financial Indicator 12 (G)

## Total Revenue/Population



Unfavorable = ▼

Favorable = ▲

Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	2%	Y5 Entity	\$ 1,517
Y2 to Y5 Diff	2%	Y5 Bench	\$ 949
Y3 to Y5 Diff	7%	Y5 Entity to Bench Diff	60%

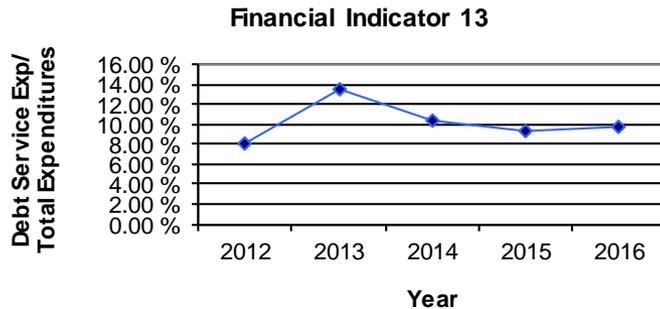
<b>Trend:</b>	<b>Inconclusive</b>	<b>Benchmark Comparison:</b>	<b>Favorable</b>
---------------	---------------------	------------------------------	------------------

**Overall Rating: Favorable**

- General, Special Revenue, Debt Service and Capital Projects Funds.
- Revenue amount in constant dollars.
- Decreasing results indicate that the government may be unable to maintain existing service levels with current revenue sources.
- The favorable rating is more related to the benchmark than the City itself as the trend data is inconclusive due to fluctuations in total revenue over the past few years. The 2015 increase in revenue is attributable to the increased Housing Assistance funding levels and reimbursements related to the Natural Disaster Fund.

# Financial Indicator 13 (G)

## Debt Service/Total Expenditures

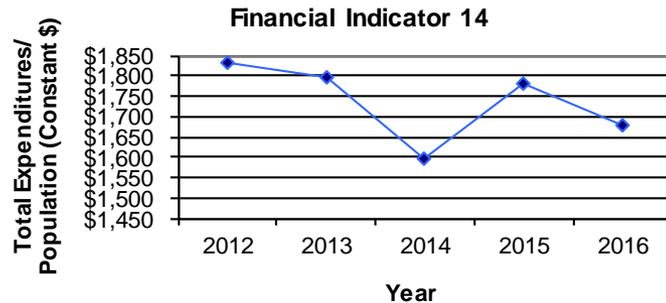


Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	20%	Y5 Entity	9.68%
Y2 to Y5 Diff	-28%	Y5 Bench	5.68%
Y3 to Y5 Diff	-7%	Y5 Entity to Bench Diff	71%
<b>Trend:</b>	<b>Inconclusive</b>	<b>Benchmark Comparison:</b>	<b>Unfavorable</b>
<b>Overall Rating:</b>		<b>Unfavorable</b>	

- General, Debt Service and Capital Projects Funds.
- Percentages increasing over time may indicate declining flexibility in responding to economic changes.
- The unfavorable rating is more related to the benchmark than the City itself as the trend data is favorable. In 2013, debt service expenditures increased 68% primarily due to the first full year of principal payments on the 2010A Capital Funding Revenue Bonds and the change in accounting principal which requires the City to blend CMPA into the City's financials resulting in additional debt service expenditures.

# Financial Indicator 14 (G)

## Total Expenditures/Population



Unfavorable = ▲

Favorable = ▼

Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	-8%	Y5 Entity	\$ 1,679
Y2 to Y5 Diff	-7%	Y5 Bench	\$ 989
Y3 to Y5 Diff	5%	Y5 Entity to Bench Diff	70%

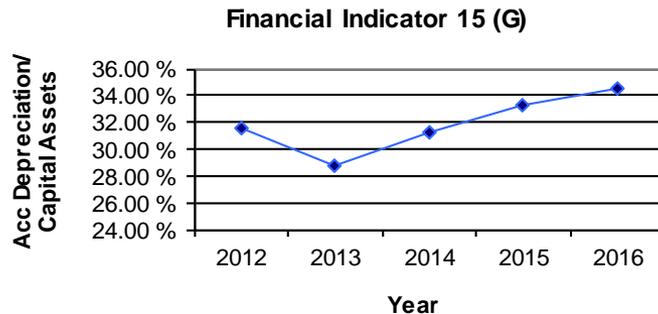
  

<b>Trend:</b>	Inconclusive	<b>Benchmark Comparison:</b>	Unfavorable
<b>Overall Rating:</b>	Unfavorable		

- General, Special Revenue, Debt Service and Capital Projects Funds.
- Expenditures in constant dollars.
- Increasing results may indicate that the cost of providing services is outstripping the government's ability to pay (i.e., the local government may be unable to maintain services at current levels).
- The unfavorable rating is more related to the benchmark than the City itself. The majority of the entities used to develop the benchmark information do not have both a housing program or large capital fund such as the City's Local Option Sales Tax.

# Financial Indicator 15 (G)

## Accumulated Depreciation/Capital Assets



Unfavorable = ▲ Favorable = ▼

Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	9%	Y5 Entity	34.49%
Y2 to Y5 Diff	20%	Y5 Bench	46.06%
Y3 to Y5 Diff	10%	Y5 Entity to Bench Diff	-25%

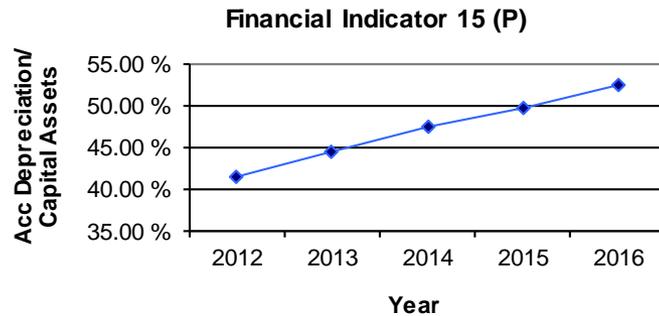
  

<b>Trend:</b>	<b>Unfavorable</b>	<b>Benchmark Comparison:</b>	<b>Inconclusive</b>
<b>Overall Rating:</b>		<b>Unfavorable</b>	

- Governmental activities.
- Increasing results may indicate that a local government is not systematically investing in capital assets which may indicate increasing deferred replacement or maintenance cost.
- The unfavorable rating is due to increases in accumulated depreciation over the past few years which were greater than the increases in capital assets. In 2013 a change in accounting principal required the City to blend CMPA into the City's financials resulting in the addition of \$53.9 million in capital assets. The additions of these assets have skewed the trends.

# Financial Indicator 15 (P)

## Accumulated Depreciation/Capital Assets



Unfavorable = ▲ Favorable = ▼

Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	27%	Y5 Entity	52.45%
Y2 to Y5 Diff	18%	Y5 Bench	47.05%
Y3 to Y5 Diff	11%	Y5 Entity to Bench Diff	11%

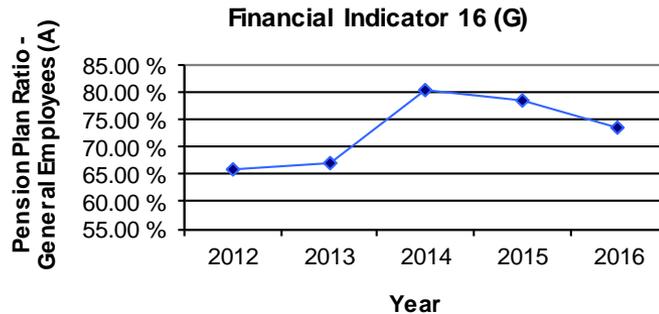
  

<b>Trend:</b>	<b>Unfavorable</b>	<b>Benchmark Comparison:</b>	<b>Inconclusive</b>
<b>Overall Rating:</b>	<b>Unfavorable</b>		

- Business-type activities.
- Increasing results may indicate that a local government is not systematically investing in capital assets which may indicate increasing deferred replacement or maintenance cost.
- The unfavorable rating is due to increases in accumulated depreciation over the past few years which were greater than the increases in capital assets. With the completion of the \$44 million airport terminal expansion in 2011, no major capital additions to Pensacola International Airport have been made thus skewing the trends.

# Financial Indicator 16 (G)

## Pension Plan Funded Ratio



Unfavorable = ▼

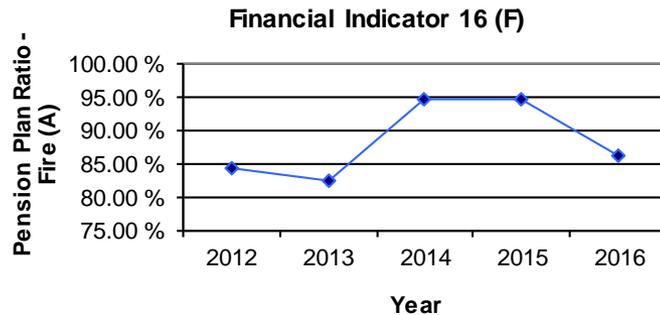
Favorable = ▲

Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	12%	Y5 Entity	73.67%
Y2 to Y5 Diff	10%	Y5 Bench	87.71%
Y3 to Y5 Diff	-9%	Y5 Entity to Bench Diff	-16%
<b>Trend:</b>	<b>Favorable</b>	<b>Benchmark Comparison:</b>	<b>Inconclusive</b>
<b>Overall Rating:</b>		<b>Favorable</b>	

- General employees.
- Declining results may indicate that the pension plan may not be adequately funded, which may indicate an increasing burden on the tax base.
- The rating is favorable due to the decrease in the percentage funded in fiscal year 2016 as compared to fiscal year 2013. Had the Y3 to Y5 trend difference been greater than 10%, the rating would have been unfavorable. Funding percentages are heavily influenced by market trends.

# Financial Indicator 16 (F)

## Pension Plan Funded Ratio



Unfavorable = ▼

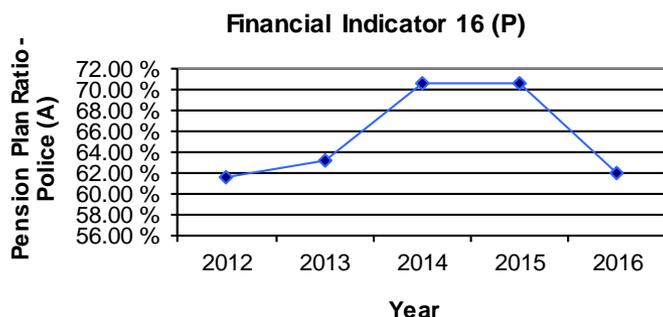
Favorable = ▲

Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	2%	Y5 Entity	86.17%
Y2 to Y5 Diff	5%	Y5 Bench	81.54%
Y3 to Y5 Diff	-9%	Y5 Entity to Bench Diff	6%
<b>Trend:</b>	<b>Inconclusive</b>	<b>Benchmark Comparison:</b>	<b>Inconclusive</b>
<b>Overall Rating:</b>		<b>Inconclusive</b>	

- Firefighters.
- Declining results may indicate that the pension plan may not be adequately funded, which may indicate an increasing burden on the tax base.
- The rating is inconclusive due to the decrease in the percentage funded in fiscal year 2016. Had the Y3 to Y5 trend difference been greater than 10%, the rating would have been unfavorable. Funding percentages are heavily influenced by market trends.

# Financial Indicator 16 (P)

## Pension Plan Funded Ratio



Unfavorable = ▼ Favorable = ▲

Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	1%	Y5 Entity	62.00%
Y2 to Y5 Diff	-2%	Y5 Bench	76.52%
Y3 to Y5 Diff	-12%	Y5 Entity to Bench Diff	-19%

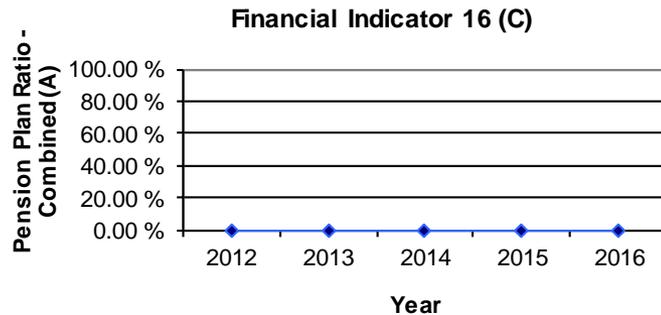
  

<b>Trend:</b>	<b>Unfavorable</b>	<b>Benchmark Comparison:</b>	<b>Inconclusive</b>
<b>Overall Rating:</b>		<b>Unfavorable</b>	

- Police officers.
- Declining results may indicate that the pension plan may not be adequately funded, which may indicate an increasing burden on the tax base.
- The rating is unfavorable due to the decrease in the percentage funded in fiscal year 2016 as compared to fiscal year 2014. Funding percentages are heavily influenced by market trends.

# Financial Indicator 16 (C)

## Pension Plan Funded Ratio - Combined

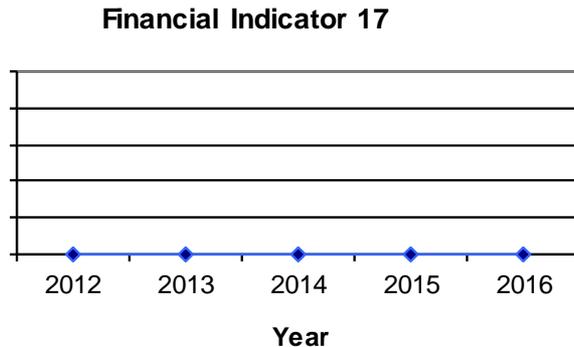


Unfavorable = ▼		Favorable = ▲	
Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff		Y5 Entity	
Y2 to Y5 Diff		Y5 Bench	72.00%
Y3 to Y5 Diff		Y5 Entity to Bench Diff	
<b>Trend:</b>		<b>Benchmark Comparison:</b>	
<b>Overall Rating:</b>		<b>N/A</b>	

- The City has separate pension plans for General, Fire and Police employees instead of one combined Plan, therefore, the financial indicator is not applicable.

# Financial Indicator 17

## OPEB Funded Ratio



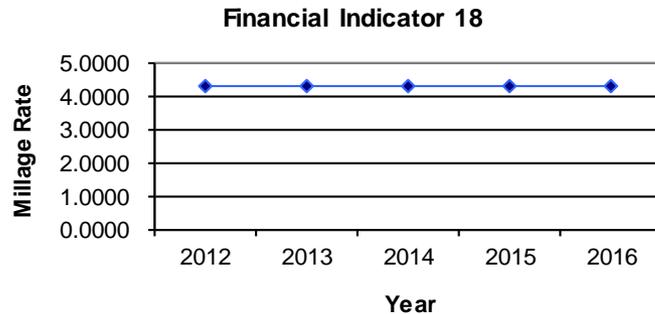
Unfavorable = ▼ Favorable = ▲

Trend Information	Benchmark Comparison Information
Y1 to Y5 Diff	Y5 Entity
Y2 to Y5 Diff	Y5 Bench 0.00%
Y3 to Y5 Diff	Y5 Entity to Bench Diff
<b>Trend:</b>	<b>Benchmark Comparison:</b>
<b>Overall Rating: N/A</b>	

- The City does not intend to fund the actuarial liability, therefore, the financial indicator is not applicable. Note that none of the entities in the benchmark grouping reported a rating under this indicator.

# Financial Indicator 18

## Millage Rate



Unfavorable = ▲ Favorable = ▼

Trend Information		Benchmark Comparison Information	
Y1 to Y5 Diff	0%	< 5.0000	Low
Y2 to Y5 Diff	0%	5.0000 - 9.4999	Medium
Y3 to Y5 Diff	0%	9.5000 +	High
		Y5 Entity	4.2895

<b>Trend:</b>	<b>Inconclusive</b>	<b>Benchmark Comparison:</b>	<b>Favorable</b>
<b>Overall Rating:</b>		<b>Favorable</b>	

- Millage rates approaching the statutory limit which is 10 mills, may indicate a reduced ability to raise additional funds when needed.
- The favorable rating stems from the City's millage rate being below 6 mills.

# Recap of Financial Indicators

Favorable	35%	9
Unfavorable	46%	12
Inconclusive	19%	5
Total Applicable	<u>100%</u>	<u>26</u>
N/A		3
Total		<u>29</u>
Overall Rating	<b>Inconclusive</b>	