

# Financial Condition Assessment Overview

Listing of Financial Indicators  
FY 2018

# 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 2018 Financial Condition Assessment for the City of Pensacola.

Beginning in fiscal year 2001, the Florida State Statutes and the Auditor General 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 No. 68 is that each local government participating in defined benefit cost-sharing multiple-employer pension plan(s), 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)

In fiscal year 2018, the City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than pensions. GASB Statement No. 75 requires governments that offer other post-employment benefits (OPEB) to its employees to report on the face of its financial statements the total unfunded OPEB obligation (the “Total OPEB Liability”). In the past, the Total OPEB Liability report on the face of the financial statements represented only the unfunded annual required contributions since implementation of GASB Statement No. 45 in fiscal year 2008.

Both the Net Pension Liability and Total OPEB Liability are 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.

# Financial Condition

## Assessment Overview (Continued)

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.

The City of Pensacola's overall rating is inconclusive which means "leading to no conclusion or definite result" for fiscal year 2018. The City of Pensacola's rating has been inconclusive for fifteen of the last seventeen fiscal years.

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

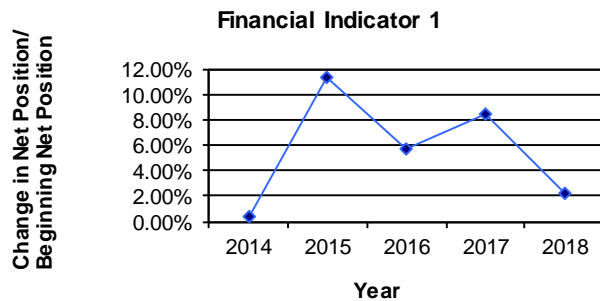
|                  | <u>Fiscal Year 2018</u> |           | <u>Fiscal Year 2017</u> |           | <u>Fiscal Year 2016</u> |           |
|------------------|-------------------------|-----------|-------------------------|-----------|-------------------------|-----------|
| Favorable        | 35%                     | 9         | 23%                     | 6         | 35%                     | 9         |
| Unfavorable      | 23%                     | 6         | 54%                     | 14        | 46%                     | 12        |
| Inconclusive     | 42%                     | 11        | 23%                     | 6         | 19%                     | 5         |
| Total Applicable | <u>100%</u>             | <u>26</u> | <u>100%</u>             | <u>26</u> | <u>100%</u>             | <u>26</u> |
| N/A              |                         | <u>3</u>  |                         | <u>3</u>  |                         | <u>3</u>  |
| Total            |                         | <u>29</u> |                         | <u>29</u> |                         | <u>29</u> |
| Overall Rating   | <b>Inconclusive</b>     |           | <b>Inconclusive</b>     |           | <b>Inconclusive</b>     |           |

The Mayor, 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     | 485% | Y5 Entity                        | 2.22% |
| Y2 to Y5 Diff     | -81% | Y5 Bench                         | 3.55% |
| Y3 to Y5 Diff     | -61% | Y5 Entity to Bench Diff          | -37%  |

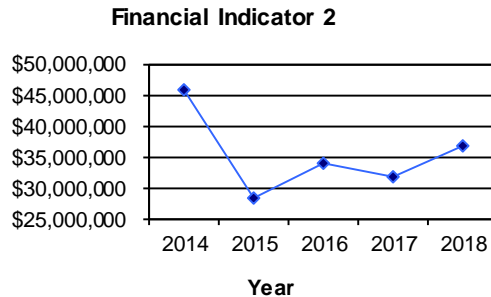
|                        |                  |                              |                     |
|------------------------|------------------|------------------------------|---------------------|
| <b>Trend:</b>          | <b>Favorable</b> | <b>Benchmark Comparison:</b> | <b>Inconclusive</b> |
| <b>Overall 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 2014. The volatility in the trend data is due to the fluctuation of the annual change in net position. The recognition of actuarial determined pension expenses related to GASB Statement No. 68 and special one time items such as the recognition of the British Petroleum settlement proceeds in 2015 and the New Market Tax Credit unwind in 2017 are the primary causes of these ups and downs. Removing these fluctuations from the calculation, the City's trend has been relatively consistent from year to year.

# Financial Indicator 2

## Unassigned and Assigned FB + Unrestricted NP

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



Unfavorable = ▼

Favorable = ▲

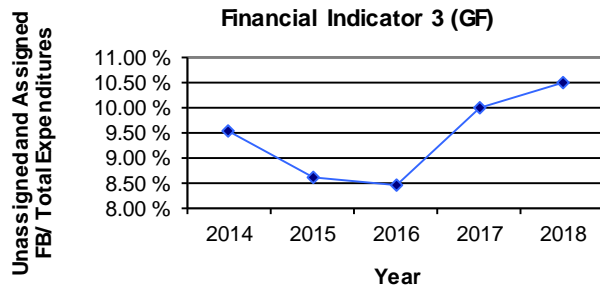
| Trend Information      |                     | Benchmark Comparison Information |                     |
|------------------------|---------------------|----------------------------------|---------------------|
| Y1 to Y5 Diff          | -20%                | Y5 Entity                        | \$ 36,584,558       |
| Y2 to Y5 Diff          | 29%                 | Y5 Bench                         | \$ 53,637,132       |
| Y3 to Y5 Diff          | 8%                  | Y5 Entity to Bench Diff          | -32%                |
| <b>Trend:</b>          | <b>Inconclusive</b> | <b>Benchmark Comparison:</b>     | <b>Inconclusive</b> |
| <b>Overall Rating:</b> |                     | <b>Inconclusive</b>              |                     |

- 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 three 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



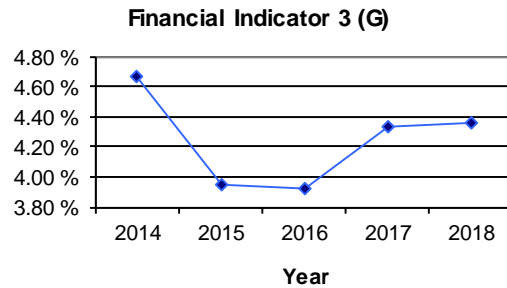
| Unfavorable = ▼        |                  | Favorable = ▲                    |                    |
|------------------------|------------------|----------------------------------|--------------------|
| Trend Information      |                  | Benchmark Comparison Information |                    |
| Y1 to Y5 Diff          | 10%              | Y5 Entity                        | 10.50%             |
| Y2 to Y5 Diff          | 22%              | Y5 Bench                         | 39.33%             |
| Y3 to Y5 Diff          | 24%              | Y5 Entity to Bench Diff          | -73%               |
| <b>Trend:</b>          | <b>Favorable</b> | <b>Benchmark Comparison:</b>     | <b>Unfavorable</b> |
| <b>Overall Rating:</b> |                  | <b>Inconclusive</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 inconclusive as the City's general fund unassigned and assigned fund balance is below that of similar municipalities. This is likely due 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. Had the amount for Council Reserves been taken into consideration the factor would have been favorable due to the trend increase over the past few years.

# Financial Indicator 3 (G)

## Unrestricted FB/Total Expenditures

Unassigned/Assigned FB/  
Total Expenditures



Unfavorable = ▼

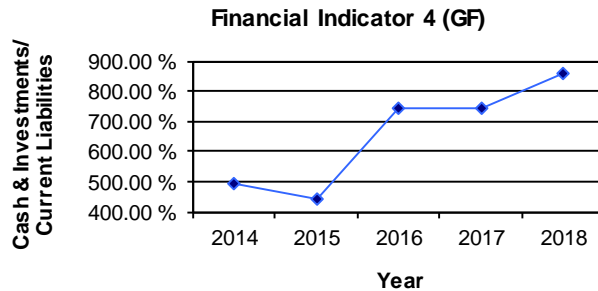
Favorable = ▲

| Trend Information      |                  | Benchmark Comparison Information |                    |
|------------------------|------------------|----------------------------------|--------------------|
| Y1 to Y5 Diff          | -7%              | Y5 Entity                        | 4.36%              |
| Y2 to Y5 Diff          | 11%              | Y5 Bench                         | 39.18%             |
| Y3 to Y5 Diff          | 11%              | Y5 Entity to Bench Diff          | -89%               |
| <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 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 inconclusive as the City's governmental funds are below that of similar municipalities. Council Reserves (mentioned in the prior slide) is the likely cause. In prior years the use of future Local Option Sales Tax revenues to fund current projects resulted in a negative unassigned fund balance which negatively impacted the indicator.

# Financial Indicator 4 (GF)

## Cash and Investments/Current Liabilities



Unfavorable = ▼ Favorable = ▲

| Trend Information |     | Benchmark Comparison Information |         |
|-------------------|-----|----------------------------------|---------|
| Y1 to Y5 Diff     | 73% | Y5 Entity                        | 857.04% |
| Y2 to Y5 Diff     | 94% | Y5 Bench                         | 967.42% |
| Y3 to Y5 Diff     | 16% | Y5 Entity to Bench Diff          | -11%    |

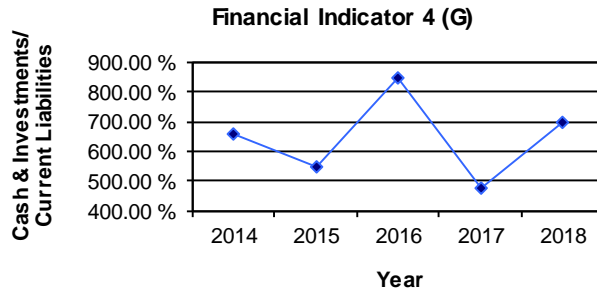
  

|                 |           |                       |              |
|-----------------|-----------|-----------------------|--------------|
| Trend:          | Favorable | Benchmark Comparison: | Inconclusive |
| Overall Rating: | Favorable |                       |              |

- 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 an increase in the trend rating over the past three years. In 2016 the indicator increased due to decreases in wages and benefits payable. Changes in liabilities have an adverse effect on the indicator. In 2017 and 2018 the indicator increased due to increased cash as a result of revenue collections exceeding expectations and expenditures coming in under original budgeted amounts.

# Financial Indicator 4 (G)

## Cash and Investments/Current Liabilities



Unfavorable = ▼ Favorable = ▲

| Trend Information |      | Benchmark Comparison Information |          |
|-------------------|------|----------------------------------|----------|
| Y1 to Y5 Diff     | 6%   | Y5 Entity                        | 694.90%  |
| Y2 to Y5 Diff     | 27%  | Y5 Bench                         | 1067.55% |
| Y3 to Y5 Diff     | -18% | Y5 Entity to Bench Diff          | -35%     |

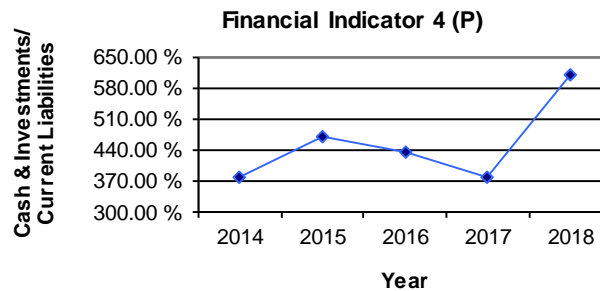
  

|                        |              |                              |              |
|------------------------|--------------|------------------------------|--------------|
| <b>Trend:</b>          | Inconclusive | <b>Benchmark Comparison:</b> | Inconclusive |
| <b>Overall Rating:</b> |          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

- 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 inconclusive due to an inconsistent trend over the past three years. 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. In 2017 the indicator decreased due to increases in vouchers and contracts payable. In 2018 the indicator increased due to decreases in vouchers and contracts payable. The fluctuation in vouchers and contracts payable is a direct result of construction projects in the City's capital project funds.

# Financial Indicator 4 (P)

## Cash and Investments/Current Liabilities



| Unfavorable = ▼        |                  | Favorable = ▲                    |                  |
|------------------------|------------------|----------------------------------|------------------|
| Trend Information      |                  | Benchmark Comparison Information |                  |
| Y1 to Y5 Diff          | 61%              | Y5 Entity                        | 609.15%          |
| Y2 to Y5 Diff          | 30%              | Y5 Bench                         | 377.08%          |
| Y3 to Y5 Diff          | 40%              | Y5 Entity to Bench Diff          | 62%              |
| <b>Trend:</b>          | <b>Favorable</b> | <b>Benchmark Comparison:</b>     | <b>Favorable</b> |
| <b>Overall Rating:</b> |                  | <b>Favorable</b>                 |                  |

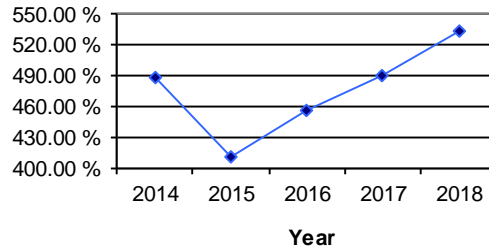
- Proprietary Funds (Enterprise and Internal Service Funds).
- Percentages decreasing over time may indicate difficulty raising cash needed to meet current needs or that the government has overextended itself in the long run.
- The rating is favorable due to decreases in liabilities since 2014. Changes in liabilities have an adverse effect on the indicator. The primary reason for the increase in 2018 was due to decreases in contracts payable as a direct result of decreased construction projects at the Airport related to the completion of the VT Mobile Aerospace and Engineering, Inc. maintenance, repair and overhaul expansion.

# Financial Indicator 5 (G)

Cash and Investments/(Total Expenditures/12)

Cash & Investments/  
(Total Expenditures/12)

Financial Indicator 5 (G)

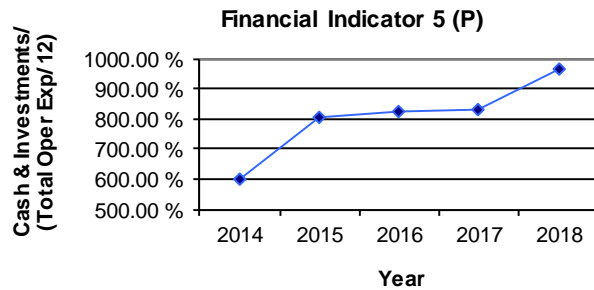


| Trend Information      |                  | Benchmark Comparison Information |                     |
|------------------------|------------------|----------------------------------|---------------------|
| Y1 to Y5 Diff          | 9%               | Y5 Entity                        | 532.47%             |
| Y2 to Y5 Diff          | 30%              | Y5 Bench                         | 730.99%             |
| Y3 to Y5 Diff          | 17%              | Y5 Entity to Bench Diff          | -27%                |
| <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.
- 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 an increase in cash over the past three fiscal years.
  - In 2016 cash and investments increased while expenditures decreased slightly. The increases in cash and investments are attributable to increased cash set aside to pay future debt service payments on the Local Option Gas Tax Revenue Bond, Series 2016.
  - In 2017 and 2018 cash and investments increased and expenditures increased slightly. The increases in cash and investments are primarily due to increased cash in the Local Option Sales Tax Capital Fund. With the issuance of the Infrastructure Sales Surtax Revenue Bond, Series 2017 on October 18, 2017 the majority of the funding for Local Option Sales Tax projects has been shifted out of the Local Option Sales Tax Capital Fund and is being paid for out of bond proceeds.

# Financial Indicator 5 (P)

Cash and Investments/(Total Operating Expense/12)



Unfavorable = ▼ Favorable = ▲

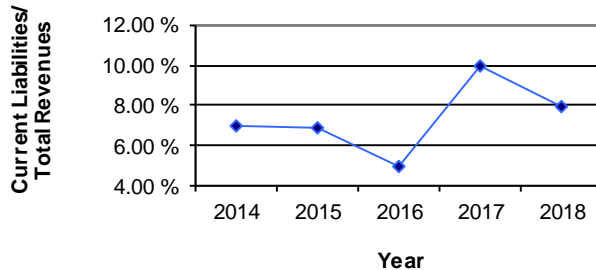
| Trend Information |     | Benchmark Comparison Information |          |
|-------------------|-----|----------------------------------|----------|
| Y1 to Y5 Diff     | 61% | Y5 Entity                        | 963.92%  |
| Y2 to Y5 Diff     | 19% | Y5 Bench                         | 1201.93% |
| Y3 to Y5 Diff     | 17% | Y5 Entity to Bench Diff          | -20%     |

|                        |                  |                              |                     |
|------------------------|------------------|------------------------------|---------------------|
| <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 increase is based on increased cash and investments in the Utility Fund and Airport Fund as a result of operations.

# Financial Indicator 6 (G)

## Current Liabilities/Total Revenue



Unfavorable = ▲ Favorable = ▼

| Trend Information |     | Benchmark Comparison Information |       |
|-------------------|-----|----------------------------------|-------|
| Y1 to Y5 Diff     | 15% | Y5 Entity                        | 7.98% |
| Y2 to Y5 Diff     | 15% | Y5 Bench                         | 7.09% |
| Y3 to Y5 Diff     | 61% | Y5 Entity to Bench Diff          | 13%   |

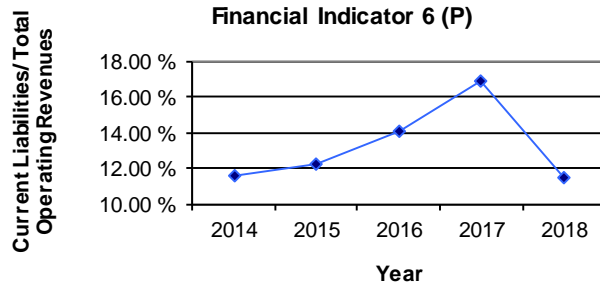
|                 |              |                       |              |
|-----------------|--------------|-----------------------|--------------|
| Trend:          | Inconclusive | Benchmark Comparison: | Inconclusive |
| Overall Rating: | Inconclusive |                       |              |

- General, Special Revenue, Debt Service and Capital Projects Funds.
- Increasing results may indicate liquidity problems, deficit spending or both.
- The rating is inconclusive due to an inconsistent trend over the past three years. Changes in liabilities have a direct effect on the indicator. In 2016 the indicator decreased due to decreases in wages and benefits payable. In 2017 the indicator increased due to increases in vouchers and contracts payable. In 2018 the indicator decreased due to decreases in vouchers and contracts payable. The fluctuation in vouchers and contracts payable is a direct result of construction projects in the City's capital project funds.



# Financial Indicator 6 (P)

## Current Liabilities/Total Operating Revenue



Unfavorable = ▲ Favorable = ▼

| Trend Information |      | Benchmark Comparison Information |        |
|-------------------|------|----------------------------------|--------|
| Y1 to Y5 Diff     | -1%  | Y5 Entity                        | 11.49% |
| Y2 to Y5 Diff     | -6%  | Y5 Bench                         | 17.80% |
| Y3 to Y5 Diff     | -18% | Y5 Entity to Bench Diff          | -35%   |

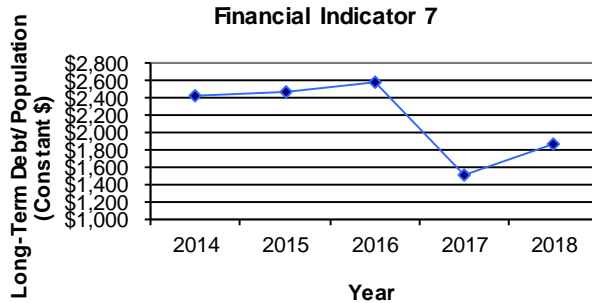
  

|                 |              |                       |              |
|-----------------|--------------|-----------------------|--------------|
| Trend:          | Inconclusive | Benchmark Comparison: | Inconclusive |
| Overall Rating: |              | Inconclusive          |              |

- Proprietary Funds (Enterprise and Internal Service Funds).
- Increasing results may indicate liquidity problems, deficit spending or both.
- The rating is inconclusive due to an inconsistent trend over the past three years. Changes in liabilities have a direct effect on the indicator. The primary reason for the decrease in 2018 was due to decreases in contracts payable as a direct result of decreased construction projects at the Airport related to the completion of the VT Mobile Aerospace and Engineering, Inc. maintenance, repair and overhaul expansion.

# Financial Indicator 7 (G)

## LT Debt/Population



| Trend Information |      | Benchmark Comparison Information |          |
|-------------------|------|----------------------------------|----------|
| Y1 to Y5 Diff     | -23% | Y5 Entity                        | \$ 1,863 |
| Y2 to Y5 Diff     | -24% | Y5 Bench                         | \$ 531   |
| Y3 to Y5 Diff     | -28% | Y5 Entity to Bench Diff          | 251%     |

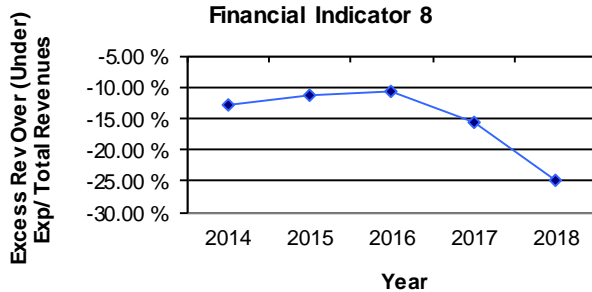
  

|                        |                     |                              |                    |
|------------------------|---------------------|------------------------------|--------------------|
| <b>Trend:</b>          | <b>Inconclusive</b> | <b>Benchmark Comparison:</b> | <b>Unfavorable</b>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

- General, Debt Service and Capital Projects Funds.
- 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 as the City's governmental funds are above that of similar municipalities. This is likely due to the City's Redevelopment Revenue Bonds that pledge Tax Increment Financing revenues which is not included in all municipalities. The decrease in 2017 is a result of a write-off of the Community Maritime Park Associates' (CMPA) \$54.1 million in long-term debt due to the unwind of the New Market Tax Credit transaction and the dissolution of the CMPA.

# Financial Indicator 8 (G)

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



Unfavorable = ▼ Favorable = ▲

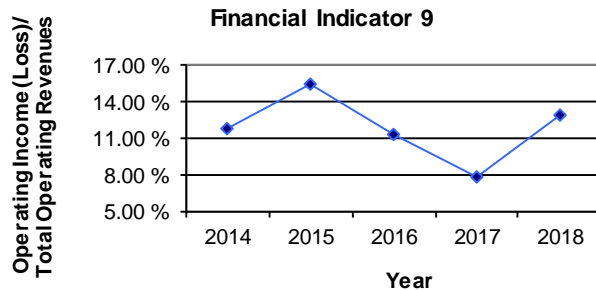
| Trend Information |       | Benchmark Comparison Information |         |
|-------------------|-------|----------------------------------|---------|
| Y1 to Y5 Diff     | -97%  | Y5 Entity                        | -25.01% |
| Y2 to Y5 Diff     | -124% | Y5 Bench                         | -6.18%  |
| Y3 to Y5 Diff     | -134% | Y5 Entity to Bench Diff          | -305%   |

|                 |             |                       |             |
|-----------------|-------------|-----------------------|-------------|
| Trend:          | Unfavorable | Benchmark Comparison: | Unfavorable |
| Overall Rating: |             | Unfavorable           |             |

- 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 rating is unfavorable due to an increase in capital expenditures over the past three fiscal years which were funded with bond proceeds. Bond proceeds are not included in the revenue calculation used in this financial indicator; therefore, any year in which bond proceeds are spent will have a negative impact on the indicator. The last three years include bond proceeds spent from the Local Option Gas Tax Revenue Bond, Series 2016, the Infrastructure Sales Surtax Revenue Bond, Series 2017 and the three Redevelopment Revenue Bonds, Series 2017.

# Financial Indicator 9 (P)

## Operating Income (Loss)/Total Operating Revenue



Unfavorable = ▼ Favorable = ▲

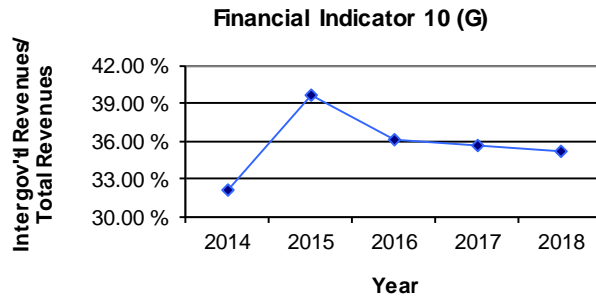
| Trend Information |      | Benchmark Comparison Information |        |
|-------------------|------|----------------------------------|--------|
| Y1 to Y5 Diff     | 9%   | Y5 Entity                        | 12.87% |
| Y2 to Y5 Diff     | -17% | Y5 Bench                         | 14.50% |
| Y3 to Y5 Diff     | 14%  | Y5 Entity to Bench Diff          | -11%   |

|                        |                     |                              |                     |
|------------------------|---------------------|------------------------------|---------------------|
| <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 over the past three years. In 2016 and 2017, the Utility Fund focused on cutting and capping dormant gas lines older than five years resulting in a decrease in operating income. The indicator moved in a favorable position in 2018 due to a decrease in expense related to the cut and cap multi-year project as well as an increase in the Utility Fund's 2018 infrastructure cost recovery revenue.

# Financial Indicator 10 (G)

## Intergovernmental Revenue/Total Revenue



| Trend Information |      | Benchmark Comparison Information |        |
|-------------------|------|----------------------------------|--------|
| Y1 to Y5 Diff     | 9%   | Y5 Entity                        | 35.08% |
| Y2 to Y5 Diff     | -11% | Y5 Bench                         | 24.21% |
| Y3 to Y5 Diff     | -3%  | Y5 Entity to Bench Diff          | 45%    |

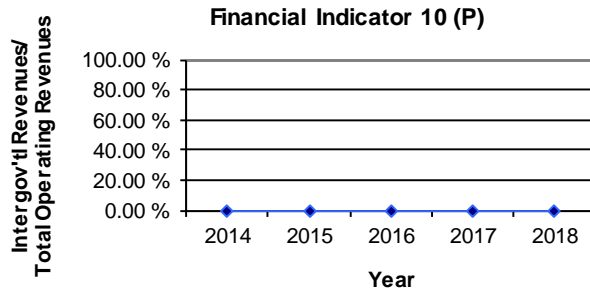
  

|                        |                  |                              |                     |
|------------------------|------------------|------------------------------|---------------------|
| <b>Trend:</b>          | <b>Favorable</b> | <b>Benchmark Comparison:</b> | <b>Inconclusive</b> |
| <b>Overall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

- General, Special Revenue, Debt Service and Capital Projects Funds.
- Percentages increasing over time indicate a greater risk due to increased dependence on outside revenues.
- The favorable rating is due to the decrease in intergovernmental revenues as compared to total revenues over the past three fiscal years. The 2015 increase is attributed to increases in intergovernmental revenue related to the Section 8 Housing Assistance funding levels and reimbursements in the Natural Disaster Fund. The 2016 and 2018 decrease is attributed to decreases in intergovernmental revenue in the Natural Disaster Fund and Special Grant Fund.

# Financial Indicator 10 (P)

## Intergovernmental Revenue/Total Operating Revenue



Unfavorable = ▲

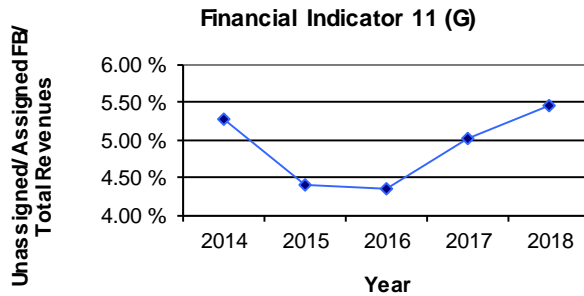
Favorable = ▼

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

- 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     | 4%  | Y5 Entity                        | 5.45%  |
| Y2 to Y5 Diff     | 24% | Y5 Bench                         | 41.45% |
| Y3 to Y5 Diff     | 25% | Y5 Entity to Bench Diff          | -87%   |

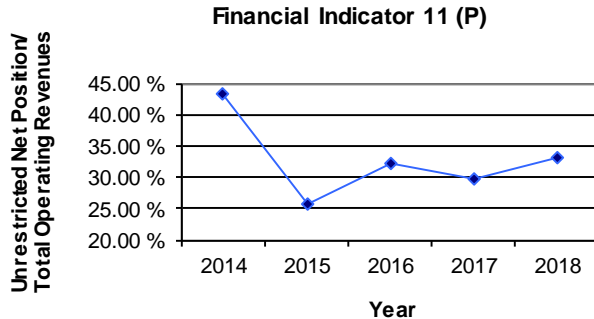
  

|                        |                  |                              |                    |
|------------------------|------------------|------------------------------|--------------------|
| <b>Trend:</b>          | <b>Favorable</b> | <b>Benchmark Comparison:</b> | <b>Unfavorable</b> |
| <b>Overall Rating:</b> |                  | <b>Inconclusive</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 inconclusive as the City's governmental funds are below that of similar municipalities. Council Reserves (mentioned in Financial Indicator 3GF) is the likely cause.

# Financial Indicator 11 (P)

## Unrestricted NP/Total Operating Revenue



Unfavorable = ▼ Favorable = ▲

| Trend Information |      | Benchmark Comparison Information |        |
|-------------------|------|----------------------------------|--------|
| Y1 to Y5 Diff     | -24% | Y5 Entity                        | 33.10% |
| Y2 to Y5 Diff     | 29%  | Y5 Bench                         | 92.71% |
| Y3 to Y5 Diff     | 3%   | Y5 Entity to Bench Diff          | -64%   |

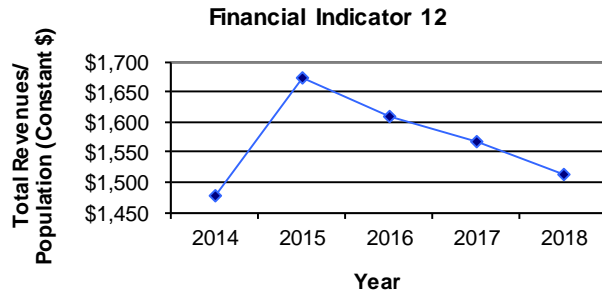
|                        |                     |                              |                    |
|------------------------|---------------------|------------------------------|--------------------|
| <b>Trend:</b>          | <b>Inconclusive</b> | <b>Benchmark Comparison:</b> | <b>Unfavorable</b> |
| <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 the City's proprietary funds are below that of similar municipalities. 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                        | \$ 1,512 |
| Y2 to Y5 Diff     | -10% | Y5 Bench                         | \$ 999   |
| Y3 to Y5 Diff     | -6%  | Y5 Entity to Bench Diff          | 51%      |

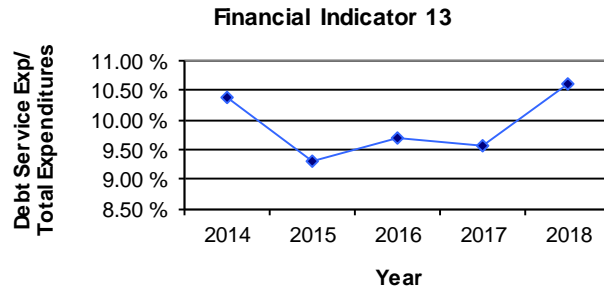
  

|                 |              |                       |           |
|-----------------|--------------|-----------------------|-----------|
| Trend:          | Inconclusive | Benchmark Comparison: | Favorable |
| Overall Rating: |              | Favorable             |           |

- 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 the trend results being under ten percent. This is likely due to the City's federally funded housing program which is not included in all municipalities. The 2015 increase in revenue is attributable to the increased Section 8 Housing Assistance funding levels and reimbursements related to the Natural Disaster Fund.

# Financial Indicator 13 (G)

## Debt Service/Total Expenditures

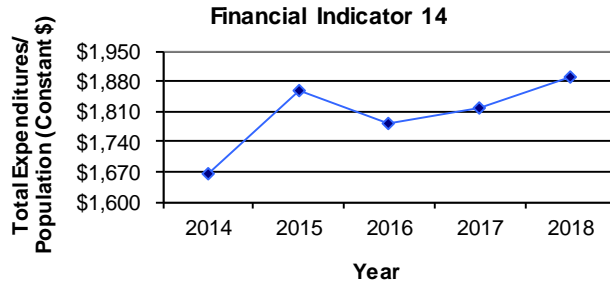


| Trend Information      |                     | Benchmark Comparison Information |                    |
|------------------------|---------------------|----------------------------------|--------------------|
| Y1 to Y5 Diff          | 2%                  | Y5 Entity                        | 10.61%             |
| Y2 to Y5 Diff          | 14%                 | Y5 Bench                         | 4.86%              |
| Y3 to Y5 Diff          | 10%                 | Y5 Entity to Bench Diff          | 118%               |
| <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 rating is unfavorable as the City's debt service to total expenditures is above that of similar municipalities. This is likely due to the debt service on the City's Redevelopment Revenue Bonds that pledge Tax Increment Financing revenues which is not included in all municipalities.

# Financial Indicator 14 (G)

## Total Expenditures/Population

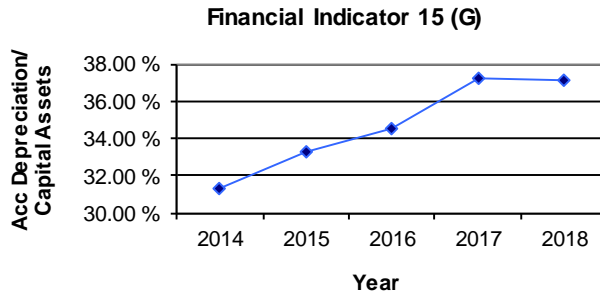


| Unfavorable = ▲        |                    | Favorable = ▼                    |                    |
|------------------------|--------------------|----------------------------------|--------------------|
| Trend Information      |                    | Benchmark Comparison Information |                    |
| Y1 to Y5 Diff          | 14%                | Y5 Entity                        | \$ 1,890           |
| Y2 to Y5 Diff          | 2%                 | Y5 Bench                         | \$ 1,048           |
| Y3 to Y5 Diff          | 6%                 | 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, 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 rating is unfavorable due to an increase in capital expenditures over the past three fiscal years which were funded with bond proceeds. The last three years include bond proceeds spent from the Local Option Gas Tax Revenue Bond, Series 2016, the Infrastructure Sales Surtax Revenue Bond, Series 2017 and the three Redevelopment Revenue Bonds, Series 2017. Until bond proceed spending starts to decline, the capital expenditures paid from the bond proceeds will have a negative impact on this indicator.

# Financial Indicator 15 (G)

## Accumulated Depreciation/Capital Assets



Unfavorable = ▲

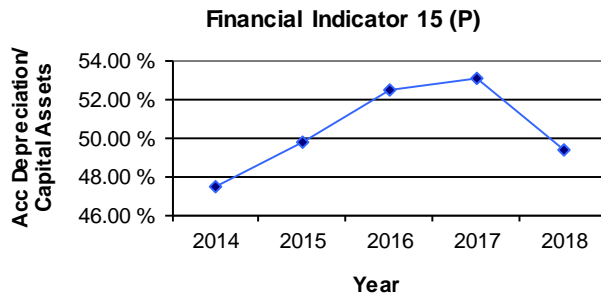
Favorable = ▼

| Trend Information      |                    | Benchmark Comparison Information |                     |
|------------------------|--------------------|----------------------------------|---------------------|
| Y1 to Y5 Diff          | 19%                | Y5 Entity                        | 37.12%              |
| Y2 to Y5 Diff          | 12%                | Y5 Bench                         | 43.86%              |
| Y3 to Y5 Diff          | 8%                 | Y5 Entity to Bench Diff          | -15%                |
| <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. With the increase in the capital outlay in the capital projects funds, this number should improve over the next few fiscal years.

# Financial Indicator 15 (P)

## Accumulated Depreciation/Capital Assets



Unfavorable = ▲

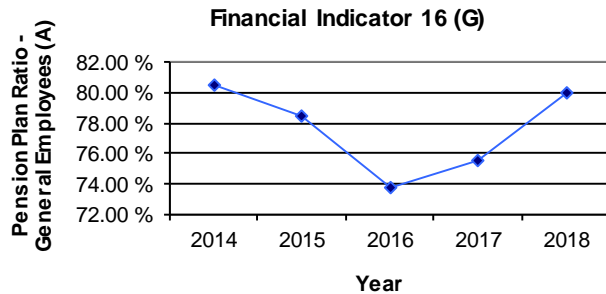
Favorable = ▼

| Trend Information      |                     | Benchmark Comparison Information |                     |
|------------------------|---------------------|----------------------------------|---------------------|
| Y1 to Y5 Diff          | 4%                  | Y5 Entity                        | 49.32%              |
| Y2 to Y5 Diff          | -1%                 | Y5 Bench                         | 40.44%              |
| Y3 to Y5 Diff          | -6%                 | Y5 Entity to Bench Diff          | 22%                 |
| <b>Trend:</b>          | <b>Inconclusive</b> | <b>Benchmark Comparison:</b>     | <b>Inconclusive</b> |
| <b>Overall Rating:</b> |                     | <b>Inconclusive</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 rating is inconclusive due to an inconsistent trend over the past three years and the trend results being under ten percent. The decrease in 2018 was due to the \$40+ million completion of the VT Mobile Aerospace and Engineering, Inc. maintenance, repair and overhaul expansion at the Pensacola International Airport.

# Financial Indicator 16 (G)

## Pension Plan Funded Ratio



Unfavorable = ▼ Favorable = ▲

| Trend Information |     | Benchmark Comparison Information |        |
|-------------------|-----|----------------------------------|--------|
| Y1 to Y5 Diff     | -1% | Y5 Entity                        | 80.00% |
| Y2 to Y5 Diff     | 2%  | Y5 Bench                         | 83.89% |
| Y3 to Y5 Diff     | 9%  | Y5 Entity to Bench Diff          | -5%    |

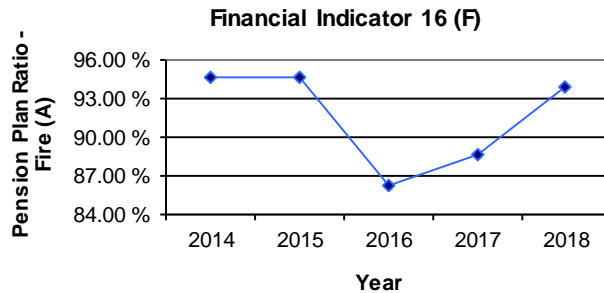
  

|                 |              |                       |              |
|-----------------|--------------|-----------------------|--------------|
| Trend:          | Inconclusive | Benchmark Comparison: | Inconclusive |
| Overall Rating: | Inconclusive |                       |              |

- 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.
- While the trend has been favorable over the past three years, the rating is inconclusive due to the trend results being under ten percent. 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     | -1% | Y5 Entity                        | 93.82% |
| Y2 to Y5 Diff     | -1% | Y5 Bench                         | 86.54% |
| Y3 to Y5 Diff     | 9%  | Y5 Entity to Bench Diff          | 8%     |

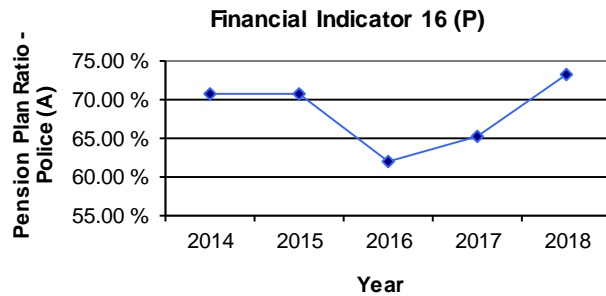
  

|                        |                     |                              |                     |
|------------------------|---------------------|------------------------------|---------------------|
| <b>Trend:</b>          | <b>Inconclusive</b> | <b>Benchmark Comparison:</b> | <b>Inconclusive</b> |
| <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.
- While the trend has been favorable over the past three years, the rating is inconclusive due to the trend results being under ten percent. 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     | 4%  | Y5 Entity                        | 73.14% |
| Y2 to Y5 Diff     | 4%  | Y5 Bench                         | 83.62% |
| Y3 to Y5 Diff     | 18% | Y5 Entity to Bench Diff          | -13%   |

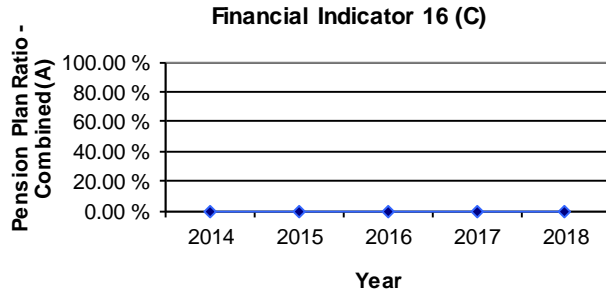
|                        |                  |                              |                     |
|------------------------|------------------|------------------------------|---------------------|
| <b>Trend:</b>          | <b>Favorable</b> | <b>Benchmark Comparison:</b> | <b>Inconclusive</b> |
| <b>Overall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

- 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 favorable due to the increased trend over the past three years. Funding percentages are heavily influenced by market trends.



# Financial Indicator 16 (C)

## Pension Plan Funded Ratio - Combined



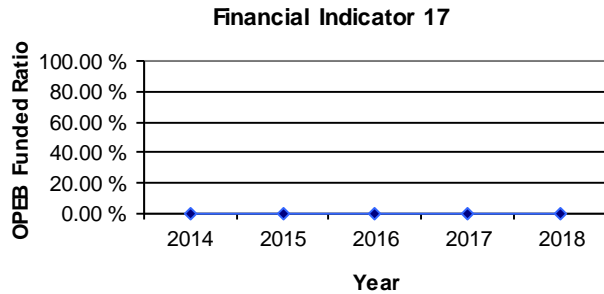
Unfavorable = ▼ Favorable = ▲

| Trend Information          | Benchmark Comparison Information |
|----------------------------|----------------------------------|
| Y1 to Y5 Diff              | Y5 Entity                        |
| Y2 to Y5 Diff              | Y5 Bench 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 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



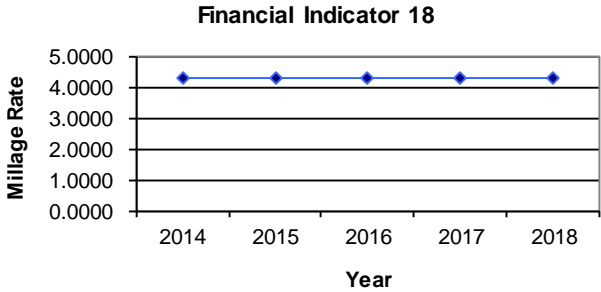
Unfavorable = ▼ Favorable = ▲

| 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 |

|                 |              |                       |           |
|-----------------|--------------|-----------------------|-----------|
| Trend:          | Inconclusive | Benchmark Comparison: | Favorable |
| Overall Rating: |              | Favorable             |           |

- 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

|                  | <u>Fiscal Year 2018</u> |           |
|------------------|-------------------------|-----------|
| Favorable        | 35%                     | 9         |
| Unfavorable      | 23%                     | 6         |
| Inconclusive     | 42%                     | 11        |
| Total Applicable | <u>100%</u>             | <u>26</u> |
| N/A              |                         | <u>3</u>  |
| Total            |                         | <u>29</u> |
| Overall Rating   | <b>Inconclusive</b>     |           |