



Report Issued

January 23, 2026

**Audit Report No.
26-01**



**City of Cape Coral
City Auditor's Office**

P.O. Box 150027
Cape Coral, FL 33915-0027
239-242-3383

City Manager - Office of Economic and Business Development Audit

Auditor In Charge: Andrea R. Russell, CPA, CFE, CIA, CGMA

**Auditors: Joseph Devone, CIA
Jessica Pautz, MBA**



TO: Mayor Gunter and Council Members

FROM: Andrea R. Russell, City Auditor *ARR*

DATE: January 23, 2026

SUBJECT: 26-01 City Manager - Office of Economic and Business Development Audit

The City Auditor's Office conducted a performance audit of the Office of Economic and Business Development. This audit is included in the City Auditor's FY26 approved Audit Plan. The audit was conducted in conformance with Generally Accepted Government Auditing Standards by the authority granted through City Ordinances 28-02 and 79-10.

We would like to express our sincere appreciation to the Office of Economic and Business Development management and staff for the courtesy, cooperation, and proactive attitude extended to the team members during the audit. If you have any questions or comments regarding this audit, please contact Andrea Russell at 242-3380.

C: Michael Ilczyszyn, City Manager
Connie Barron, Assistant City Manager
Mark Mason, Assistant City Manager
Aleksandr Boksner, City Attorney
Kimberly Bruns, City Clerk
Maureen Buice, Assistant to the City Manager
Sharon Woodberry, Economic Development Manager
Myri Del Leon, Acting Special Projects Coordinator
Audit Committee

REPORT HIGHLIGHTS

26-01 CITY MANAGER - OFFICE OF ECONOMIC AND BUSINESS DEVELOPMENT AUDIT

Issued January 23, 2026

Objectives

1. To determine if Economic and Business Development programs are clearly documented, consistently applied, and operating effectively to achieve intended outcomes in accordance with EBD's strategic plan and the City's vision.
2. To determine if incentive payments are accurate and made in accordance with local ordinances, policies, and procedures.

WHY THIS MATTERS

The Office of Economic and Business Development (EBD) plays a vital role in guiding economic transformation, implementing strategic initiatives, coordinating incentive programs, and fostering the business climate necessary to achieve balanced, sustainable growth. The effectiveness of this office in executing its vision will significantly impact Cape Coral's ability to realize its full potential as a major metropolitan center in Southwest Florida.

ACCOMPLISHMENTS

1. Through EBD efforts, the City approved approximately \$5.1M in funding to support a total of \$119.3M investment in development projects across the community.
2. Conducted targeted outreach through business roundtables, engaging 176 participants representing 119 local businesses in FY24 and FY25, which helped strengthen relationships with stakeholders and enhance direct communication channels between industries and City leadership.
3. Worked to create the City's Economic Development Strategic Plan, providing a clear framework for growth, investment, and job creation initiatives.

WHAT WE FOUND

The City Auditor's Office conducted a performance audit of the Office of Economic and Business Development. This audit is included in the City Auditor's FY26 approved Audit Plan. We conducted an analysis of the existing processes intended to advance the goals of the City's vision. Additionally, we reviewed incentive applications to determine if they were awarded in accordance with policies and procedures.

Economic and Business Development complied with applicable requirements; however, we identified areas within their processes that could be improved to provide more efficient operations and better oversight to participating businesses. These items are discussed in more detail in the Findings and Recommendations section of this report.

While we identified areas of opportunity for improvement to increase process efficiencies, we determined that controls are in place and operating as intended. No material control deficiencies were noted.

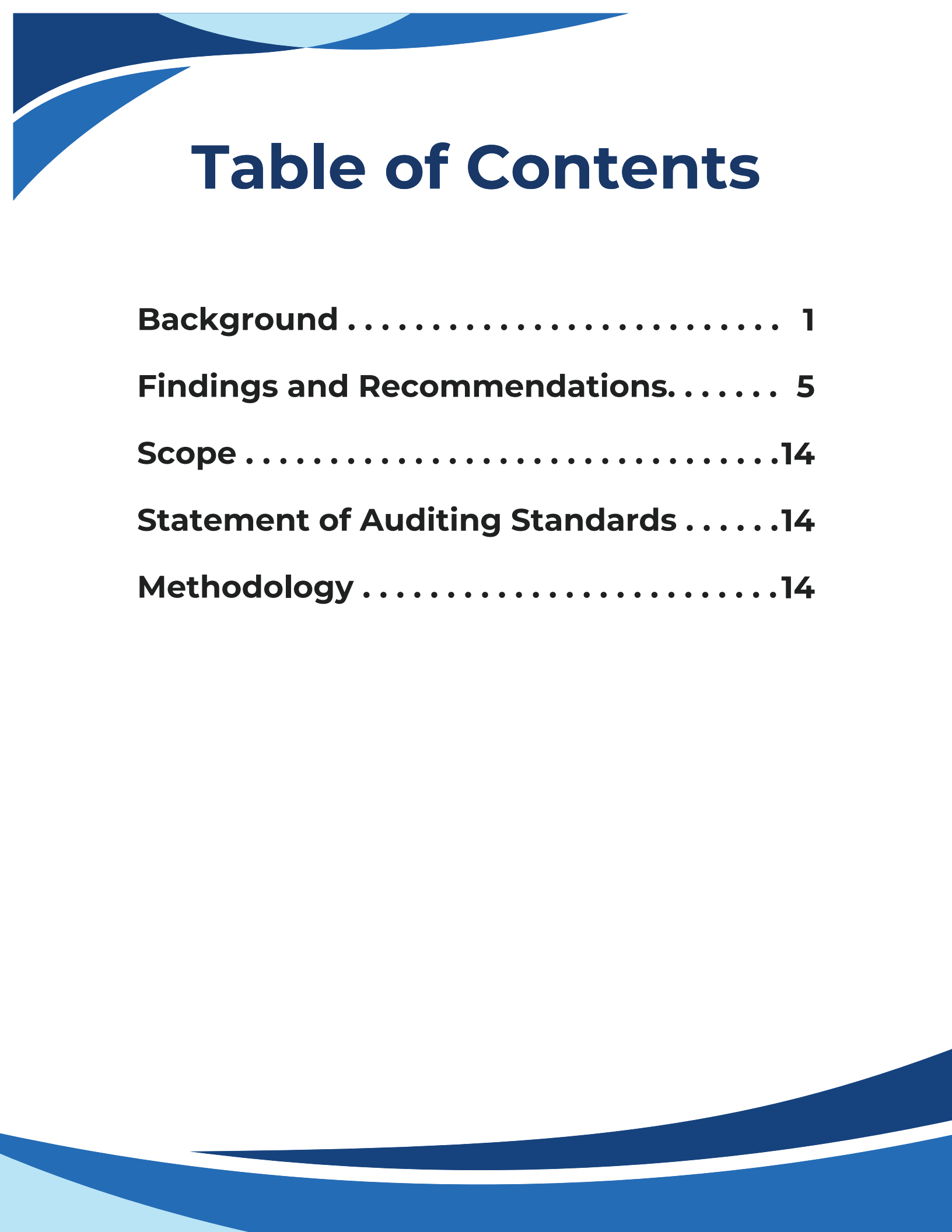


Table of Contents

Background	1
Findings and Recommendations.....	5
Scope	14
Statement of Auditing Standards	14
Methodology	14

Background



Founded in 1957, the City of Cape Coral was developed as a master-planned community on 103 square miles of land purchased for \$678,000. City founders envisioned transforming the uninhabited swampland along the Caloosahatchee River into a "Waterfront Wonderland", a modern city with extensive canal systems inspired by Venice, Italy.

Actual development began in 1958 with the construction of the first four model homes and an intricate canal system that would eventually exceed 400 miles, making it the largest canal system of any city in the world. The construction of the Cape Coral Bridge in 1964 was essential in connecting the developing community to Fort Myers and enabling growth. By 1970, when Cape Coral officially incorporated as a city on August 18, the population had grown to over 10,000 residents.

Cape Coral has experienced extraordinary population growth since incorporation, transforming from a small bedroom community into one of Florida's largest cities. The City's population has grown from approximately 154,000 in 2010 to 233,000 in 2024, representing a 51% increase over 14 years¹. This rapid expansion places Cape Coral



as the eighth largest city in Florida by population² and the largest city between Tampa and Miami in both population and land area.

¹ <https://www.census.gov/quickfacts/fact/table/capecoralcityflorida/PST045224>

² <https://www.florida-demographics.com/cape-coral-demographics>

The demographic profile reflects a median age of 48.7 years, with approximately 63% of the population of working age (15 to 64 years). Population projections indicate continued significant growth, with estimates suggesting the City will reach approximately 250,000 residents by 2030 and potentially 377,000 at build-out. This explosive growth drives consistent demand for housing, infrastructure expansion, and economic development to support the growing community.



Cape Coral's economy has evolved significantly from its origins as a real estate-driven development. The City's economy is diversified across multiple sectors, with five leading industry sectors accounting for 74% of new employment growth.

Economic development is essential for Cape Coral's continued success and ability to serve its rapidly growing population. As a fundamental principle, economic development creates job opportunities, increases tax revenues, and enhances quality of life for residents. For municipalities like Cape Coral experiencing significant population growth, effective economic development becomes critical to maintaining balanced growth where economic

performance keeps pace with population expansion.

The City of Cape Coral's Office of Economic and Business Development (EBD) serves as the primary entity responsible for advancing the City's economic growth and business expansion by providing resources for businesses looking to invest, expand, or relocate within the City. EBD is part of the City Manager's Office. There are currently three full time employees.

The EBD's role encompasses working with potential new businesses, providing technical assistance to new and existing businesses, coordinating economic development activities, and implementing the City's Economic Development Strategic Plan. EBD tracks emerging industries, demographics, market

conditions, and workforce data and offers incentives for businesses considering relocation or expansion in Cape Coral.

An important part of EBD's role in supporting economic development and the local business community is providing ombudsperson services. EBD regularly hosts industry-specific roundtables that give businesses a forum to discuss issues and emerging topics with the City. During these roundtables, EBD serves as a liaison between participants and various City departments. EBD also monitors key information such as Code Compliance cases and Business Tax Receipt reports to help connect businesses with the City and assist in resolving issues or navigating processes more effectively.

There are several incentive programs designed to attract new businesses and support existing business expansion. These programs, branded as "Cape Competes," include multiple targeted initiatives:

- **Ad Valorem Tax Exemption Program** offers limited exemptions from municipal property taxes to qualified businesses and developers creating new jobs.
- **Breaking Barriers to Business (B2B) Program** supports economic development in the South Cape Coral Community Redevelopment Area by providing financial assistance to businesses and developers committed to building, expanding, or renovating facilities.
- **Business Infrastructure Grant (BIG) Program** encourages new non-residential construction, building expansions, or renovations for targeted industries including office, life sciences, healthcare, biotechnology, information technology, financial and professional services, manufacturing, logistics, and marine-related industries.
- **Creative Cape Arts Incentive Program** fosters cultural development within the City and Community Redevelopment Area by providing incentives to individuals, nonprofit cultural organizations, and other entities supporting arts and culture businesses.
- **Demolition Assistance Grants** are designed to help property owners renew or redevelop underutilized or blighted sites, mainly within targeted redevelopment areas. The grant reimburses a significant portion of demolition costs to encourage removal of old structures and preparation of sites for new investment.
- **Enhanced Property Value Recapture Grants** are aimed at large-scale private capital investment or redevelopment. Developers are reimbursed a negotiated percentage of the incremental increase in property taxes generated above a base value due to the new development or substantial renovation.

Cape Coral is at a crucial moment in its growth. As the population grows faster than ever, the City faces the challenge of balancing that growth with a stronger, more diverse economy that can support its future. With population growth significantly outpacing economic development³, Cape Coral must proactively pursue economic growth to avoid straining municipal services and budgets.

More than half of the City's resident workforce about 58,000 people, or 56.5% commutes elsewhere for work, creating both challenges and potential advantages. Attracting even a fraction of these workers to jobs within the City could boost local spending, lower transportation burdens, strengthen tax revenues, and deepen the sense of community.

As Cape Coral continues its trajectory toward a projected population of 250,000 by 2030 and potentially 377,000 at build-out, the need for a robust and diversified economic base becomes increasingly more critical. Economic development ensures the City can fund necessary infrastructure improvements, maintain quality municipal services, provide adequate parks and recreational facilities, and create the employment opportunities that make Cape Coral not just a place to live, but a thriving community where residents can both live and work.

³ <https://capecoraledsp-work.com/Task%204%20Report.html>

Findings and Recommendations

FINDING 2026-01: Development of Internal Procedures

Rank: High

Condition:

The Code of Ordinances, Chapter 29 – Economic Development and Business Incentive Programs, defines the requirements for incentives; however, EBD operates without documented internal procedures that define roles, govern communications, and enforce performance reporting, resulting in inconsistent event follow-up, unclear responsibility for business attraction, retention, and expansion, and incomplete performance metrics.

Business Support Services

As part of their retention and expansion assistance provided to businesses, EBD uses certain reports and information from City departments. For example, EBD utilizes Business Tax Receipts (BTR) reports to help identify potential issues where they may be able to provide assistance. In addition, EBD reviews Code Compliance reports to see if there are any cases with the special magistrate they may be able to facilitate closure or provide guidance. We requested BTR and Code

reports to review and assess assistance provided by EBD. We noted that although EBD was using the reports, they did not document outcomes or assistance provided for two of the three (67%) reports. The one report that contained documentation of EBD review identified the service needed and how EBD assisted the business, but it did not include information noting the date assistance was provided or the date the issue was resolved; therefore, we were unable to analyze the timeliness of services provided.



Economic and Business Development Support Services

For new and expanding businesses, developers, and investors



Technology

- Support for technology-oriented startups and expansions in Cape Coral
- Welcomes new and expanding technology companies



Networking

- Holds industry specific events
- Provides guidance and referrals to business



Ombudsperson Services

- Dedicated support for developers and growing businesses
- Schedules meetings with the right city personnel to review plans
- Guides you through the permit review process



Business Expansion and Retention

- Helps identify suitable expansion sites.
- Refer to lending for financing
- Assists with worker recruitment and training



Business Attraction

- Helps identify appropriate retail, restaurant, office, and industrial tenants

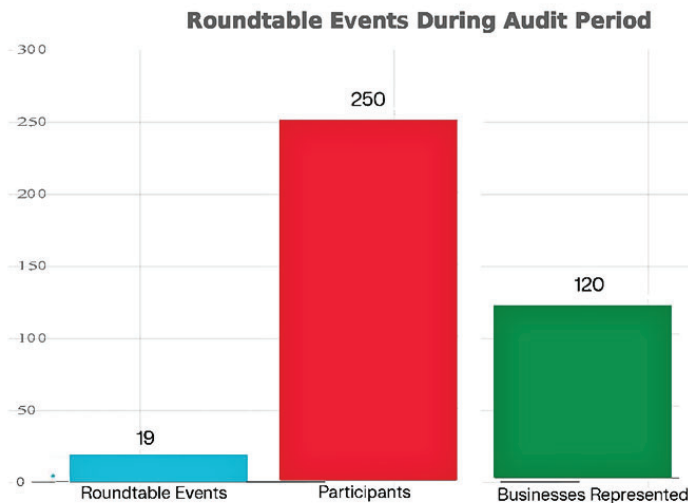


Development Site Assistance

- Assists developers and investors in finding sites to develop
- Supports multi-family, mix-use, office, technology, and light industrial projects

Communication

The EBD team hosts industry specific roundtables to engage local businesses in targeted discussions that support growth and development. During the audit period, EBD hosted 19 roundtables that engaged over 250 participants from more than 120 local businesses.



Auditors observed two roundtables and noted that staff generally share information with businesses during and after the event via email; however, the team does not have a formal process to consistently communicate roundtable outcomes to the City Manager and other departments. In addition, EBD

does not consistently follow up directly with businesses to confirm resolutions to issues raised during the events.

Performance Metrics

Due to limited staffing and the early phase of operations in FY24, EBD had not yet established formal processes for tracking or reporting performance metrics. In FY25, EBD expanded the team, began building a business network across multiple industries, and started advertising the City's incentive programs to the community.

EBD created performance metrics for business attraction and retention to monitor the expanded activities.

Three of the five (60%) attraction performance metrics and three of the eight (38%) retention performance metrics were not met. Staff developed these metrics based on reasonable expectations within their existing workloads.



While EBD routinely evaluates progress on goals and holds discussions to develop strategies to overcome challenges, the office has not established formal procedures describing the methodology for setting performance metrics or how to address unmet metrics. Currently, EBD staff rely on regular check-ins, open communication

about challenges, and collaborative problem-solving to discuss and manage performance metrics.

Criteria:

- Code of Ordinances – Chapter 29

Cause:

- No documented internal procedures
- Inconsistent communication
- Lack of documented methodology for performance metrics

Effect:

- Untimely resolution of business concerns
- Decline of stakeholder confidence
- Limit accountability which hinders program effectiveness

Recommendation

2026-01:

Develop internal procedures that clearly define roles for business attraction, retention, and expansion; standardizes communication requirements; and details performance reporting criteria, processes, and timelines.

Management Response and Corrective Action

Plan:2026-01 Select one of these boxes:

☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***

***For partially agree or disagree a reason must be provided as part of your response.**

2026-01

The Office agrees with the audit's findings and will develop and document internal processes that establish standard operating procedures for business attraction, retention, and expansion roles; communication protocols; a framework for setting performance metrics; and a standard follow-up process for unmet goals.

2026-01

Management Action Plan Coordinator:

Assistant to the City Manager

2026-01

Anticipated Completion Date: 07/31/2026

FINDING 2026-02: Opportunities Exist to Improve Incentive Application and Follow Up Process

Rank: Medium

Condition:

EBD is responsible for administering the City's business grant and incentive programs in accordance with Chapter 29 of the Code of Ordinances. While EBD generally reviews and approves applications appropriately, opportunities exist to strengthen internal processes, documentation, and transparency in alignment with best practices for public grant administration recommended by the Government Finance Officers Association (GFOA). GFOA guidance emphasizes the importance of standardized procedures, clear applicant instructions, consistent eligibility criteria, and transparent decision-making to ensure equitable and efficient distribution of public funds.

PROJECT REIMBURSEMENT PROCESS

Step-by-step process for incentive agreement to reimbursement



1. COUNCIL APPROVAL

Submit proposal. Secure agreement.



2. PROJECT MONITORING

Track progress. Ensure compliance.



3. DEVELOPMENT PHASE

Execute work. Meet milestones.



4. PROJECT COMPLETION

Finalize deliverables.



5. EXPENSE REVIEW

Submit invoices. Verify costs.



6. REIMBURSEMENT DISBURSEMENT

Receive funds. Close project.

EBD uses a third-party program management software platform to receive, track, and process incentive applications. Important documentation includes incentive project cost estimates, property descriptions, site plans, sources and uses, and proof of funding. The system provides a centralized, electronic means of managing applications; however, staff still spend significant time following up with applicants for missing or incomplete information, suggesting current application templates and instructions could be refined to more clearly define applicant expectations prior to application submission.

Audit Results

A review of 12 incentive applications approved during FY24 and FY25 for the City's incentive programs⁴ identified the following:



- All 12 applications required additional documentation requests from EBD staff.
- The average processing time from submission to approval was 191 days (range: 58 to 294 days).
- One application was initially approved for an amount exceeding the authorized incentive limit. This was corrected prior to payment. No error was made in the disbursement of funds.
- One application lacked a valid signature, which affected registration and eligibility calculation.

Additionally, EBD did not request annual renewal statements or annual reports from two recipients awarded incentives in calendar year 2024, as required by Chapter 29, Section M⁵. We noted that EBD requested annual statements in calendar year 2025; however, they are not due until March 2026. This demonstrates the absence of a standardized follow-up and monitoring process to ensure compliance with ordinance requirements⁶.

During our review of approved applications, we identified ten discretionary incentives issued outside the criteria granted by Chapter 29 and subsequent resolutions. These incentives were developed to further the City's broader economic development objectives, such as supporting business retention, job creation, and wage growth, and are generally awarded based on program eligibility, project merit, and alignment with City priorities. In one case, an applicant that did not qualify for the BIG program received funding outside the scope of the established incentive programs in order to advance the City's economic development goals. This flexible use of resources demonstrates

⁴ The City currently offers six primary economic and business development incentive programs provided in the graphic above. Chapter 29 includes additional incentive programs such as Cape Collaborates and Local Job Creation. B2B and Demolition Assistance Grants are Community Redevelopment Agency (CRA) grants authorized by separate resolutions rather than directly within Chapter 29.

⁵ See Finding 2026-03, Update to Code of Ordinance Chapter 29

⁶ See Finding 2026-01, Development of Internal Procedures

EBD's commitment to supporting local businesses and adapting to unique project circumstances; however, the absence of clearly documented criteria, eligibility standards, and approval procedures for these discretionary awards may create uncertainty about how such determinations are made. Formalizing this process through written guidelines and policy documentation would help ensure transparency, fairness, and consistency in future award decisions while maintaining the City's ability to respond to evolving economic needs.

At the time of audit, 12 applications remained in progress which had been in "open" status between 1 and 412 days. The average processing for these applications was 108 days. Of the 12 applications still in progress, 11 (92%) needed additional information.

To assess processing time for denied applications, we reviewed a sample of denied applications. It took between 0⁷ and 279 days to process these denied applications. On average these applications took 96 days to process according to the status change within the program management software. However, additional information in the program management software audit log indicates that applicants were notified of denial decisions earlier than the status change date in five cases, resulting in an average of approximately 57 days from submission to applicant denial notification. All denied applicants were properly notified of the reasons for denial.

Criteria:

- Code of Ordinances – Chapter 29
- GFOA Best Practices in Grants Administration

Cause:

- Lack of comprehensive written procedures documenting the full incentive application review, approval, and monitoring process
- Insufficient and non-standardized applicant instructions and documentation requirements
- Informal documentation for additional miscellaneous grants
- Lack of automated controls in application process
- Checklist/guidance for applicants (to eliminate/minimize the meetings before the application is submitted)

Effect:

- Delayed and lengthy application processing due to incomplete submissions and multiple rounds of communication
- Non-compliance with Chapter 29, Section M
- Potential perception of inconsistent treatment
- Appearance of lack of transparency

⁷ Two of the applications were denied prior to full submission. During the pre-application process EBD informed the applicants their projects did not meet eligibility criteria for incentives.

Recommendation

2026-02a:

Develop comprehensive procedures for incentive program administration, including application intake, review, approval, and post-award monitoring.

Management Response and Corrective Action Plan:

2026-02a Select one of these boxes:

☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***

***For partially agree or disagree a reason must be provided as part of your response.**

2026-02a

The Office agrees with the audit's findings and will establish a standard operating procedure for managing the pipeline of incentive program applications and standardizing timeframes.

2026-02a **Management Action Plan Coordinator:**
Assistant to the City Manager

2026-02a **Anticipated Completion Date:** 07/31/2026

Recommendation

2026-02b:

Enhance applicant guidance in the program management software to include detailed checklists, instructions, and example applications to improve submission completeness.

Management Response and Corrective Action Plan:

2026-02b Select one of these boxes:

☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***

***For partially agree or disagree a reason must be provided as part of your response.**

2026-02b

The Office agrees with the audit's findings and will develop standardized checklists and clear instructions for each incentive program and provide examples or templates where appropriate to clarify expectations.

2026-02b **Management Action Plan Coordinator:**
Assistant to the City Manager

2026-02b **Anticipated Completion Date:** 07/31/2026

FINDING 2026-03: Update to Code of Ordinances Chapter 29

Rank: Medium

Condition:

Chapter 29 of the City Code of Ordinances - Economic Development and Business Incentive Programs, includes highly detailed operational requirements for economic development and business incentive programs directly in the ordinance language, including specific eligibility thresholds, program mechanics, and procedural steps. While the details for program administration are provided in the Ordinance, the level of detail hinders the process for updating language and requirements because any changes require formal legislative action for the smallest changes. The ordinance also includes ambiguous language regarding “annual performance review by the City Auditor” and “annual renewal statement and report by businesses,” without clearly defining responsibility or procedures for these reviews. The details for these reviews are also not included in internal procedures⁸.

This structure creates a risk that program criteria may become outdated or misaligned with the City’s Economic Development Strategic Plan, resulting in less effective use of incentive resources because of the legislative process. In addition, without clear, concise guidance, participation by small and mid-sized businesses that lack resources to navigate program requirements may be hindered because of the highly prescriptive requirements embedded in the code.

The ordinance should focus on overarching policy and place the program specific requirements, such as wage and investment levels, eligible industry lists, application schedules and forms, and required documentation, into separate departmental procedures that can be updated as needed.



⁸ See Finding 2026-01, Development of Internal Procedures.

Criteria:

- Code of Ordinances – Chapter 29

Cause:

- Lack of department level procedures in place

Effect:

- Limited flexibility to update detailed procedures by management
- The risk of inconsistent application, compliance gaps, and misunderstandings between the City and incentive applicants

Recommendation**2026-03:**

Revise Chapter 29 to clarify requirements, remove daily processing procedures and requirements, and limit the ordinance to high-level policy elements such as program purpose, basic eligibility, and authority.

Management Response and Corrective Action Plan:

2026-03 Select one of these boxes:

☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***

***For partially agree or disagree a reason must be provided as part of your response.**

2026-03

The Office agrees with the intent of this recommendation and will coordinate with the City Attorney's Office to review Chapter 29 and assess opportunities to distinguish high-level policy from daily processing and requirements.

2026-03 Management Action Plan Coordinator:
Assistant to the City Manager

2026-03 Anticipated Completion Date: 07/31/2026

Scope

Based on the work performed during the planning phase and the assessment of risk, the audit covers processes, policies, and procedures in place over EBD for FY24 and FY25. To evaluate the processes in place, we reviewed EBD related policies and procedures in conjunction with applicable laws and regulations, incentive agreements, and completed various walkthroughs with staff.

Statement of Auditing Standards

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Methodology

In order to achieve the audit objectives and gain a better understanding of EBD processes, we conducted interviews and walkthroughs with key staff in EBD and Financial Services. Additionally, we attended industry specific events hosted by EBD. Original records as well as copies were used as evidence and verified through physical examination. Sample size and selection were based on the City Auditor's Office sampling methodology.

Objective 1: To determine if Economic and Business Development programs are clearly documented, consistently applied, and operating effectively to achieve intended outcomes in accordance with EBD's strategic plan and the City's vision.

We performed an analysis of EBD activities and performance metrics to determine if roles are clearly documented and procedures are operating effectively to achieve intended outcomes in accordance with EBD's strategic plan. We reviewed areas related to ombudsperson services, business attraction, expansion and retention services to determine if the EBD programs are clearly documented, consistently applied, and operating effectively. We held meetings with key staff and attended industry round tables hosted by EBD. We reviewed performance metrics along with supporting documentation to determine if relevant to the program and if they were meeting expectations.

Objective 2: To determine if incentive payments are accurate and made in accordance with local ordinances, policies, and procedures.

To determine if incentive applications are submitted, reviewed, and approved efficiently and consistently; comply with City Ordinance and resolutions; and payments are accurate;

Methodology (continued)

we reviewed 100% of applications approved in the third-party program management software during the scope of the audit.

To determine if in-progress incentive applications are reviewed efficiently and consistently, we reviewed 100% of applications in-progress in the third-party program management software during the scope of the audit.

To determine if denied incentive applications are processed efficiently and consistently, we reviewed 100% of applications denied in the third-party program management software during the scope of the audit.

To support the sample methodology described above to achieve the audit objectives, we discussed, obtained an understanding of, and observed the various software systems utilized by EBD to obtain information. By doing this, we deemed the data reliable for purposes of our audit objectives.

We also utilized data from the City's financial accounting system to verify incentive payments. The financial accounting system is tested by the external auditors as part of the Annual Comprehensive Financial Report. Based on the results of their procedures, no additional data reliance testing was deemed necessary.

Unless specifically stated otherwise, based on our selection methods and testing of transactions and records, we believe that it is reasonable to project our results to the population and ultimately draw our conclusions for testing, findings, and recommendations on those results. Additionally, for proper context we have presented information concerning the value and/or size of the items selected for testing compared to the overall population and the value and/or size of the exceptions found in comparison to the items selected for testing.