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OFFICE OF ECONOMIC AND DEMOGRAPHIC RESEARCH



STEVE CRISAFULLI
Speaker of the House of Representatives

November 20, 2015

Eric H. Miller, Policy Chief
Florida House of Representatives
Local & Federal Affairs Committee
Local Government Affairs Subcommittee
317 House Office Building
402 South Monroe Street
Tallahassee, FL 32399-1300

Mr. Miller:

At the Subcommittee's request, the Office of Economic and Demographic Research (EDR) evaluated A *Study of Municipal Incorporation of Compass Lake in the Hills, Florida* with regard to the requirements and standards expressed in Chapter 165, F.S. EDR also considered whether the Study's methodologies, findings, projections, and recommendations accurately reflect the feasibility of municipal incorporation.

As stated in Section 165.021, F.S., the purpose of Chapter 165, F.S., is to provide standards, direction, and procedures for the formation of municipalities within this state and the provision of municipal services so as to:

1. Allow orderly patterns of urban growth and land use.
2. Assure adequate quality and quantity of local public services.
3. Ensure financial integrity of municipalities.
4. Eliminate or reduce avoidable and undesirable differentials in fiscal capacity among neighboring local government jurisdictions.
5. Promote equity in the financing of municipal services.

Using the data and information submitted in the Feasibility Study dated August 31, 2015 (hereinafter, "the Study"), EDR finds that the proposed municipality of Compass Lake in the Hills violates two of the six statutory standards of incorporation relating to total population and population density. The Study's Executive Summary also acknowledges that the proposed municipality violates these two standards and states that the Community would be asking for waivers of the statutory population and population density standards. Additionally, EDR suggests that Compass Lake in the Hills violates the standard that it must be compact, contiguous, and amenable to separate municipal government because the proposed municipality lacks compactness.

This response consists of two parts. Part One is EDR's evaluation with respect to the elements of a feasibility study expressed in Section 165.041(1)(b), F.S. Part Two is EDR's evaluation with respect to the standards for municipal incorporation expressed in Section 165.061(1), F.S.

Part One: EDR's Evaluation of the Feasibility Study

Pursuant to Section 165.041(1)(b), F.S., a feasibility study, which is prepared to inform the Florida Legislature on the feasibility of a proposed municipal incorporation, shall contain 11 elements. This section addresses each of these elements.

Element #1

The location of territory subject to boundary change and a map of the area which identifies the proposed change. (Section 165.041(1)(b)1., F.S.)

Staff Analysis: The Study describes the general location of the territory subject to boundary change and provides a legal description of the proposed boundaries (pp. 9-10) and maps of the area (pp. 10, 78). ***Although EDR did not review the platted databases, the general description of the proposed boundaries and maps of the area appear to be satisfactory.***

Element #2

The major reasons for proposing the boundary change. (Section 165.041(1)(b)2., F.S.)

Staff Analysis: The Study (pp. 11-12) provides a discussion of the major reasons for the proposed boundary change and the anticipated benefits of municipal incorporation. ***The validity and reasonableness of the discussed reasons are more appropriately in the arena of policy making and depend on the reviewer's support or opposition to municipal incorporation.***

Element #3

The following characteristics of the area: (a) a list of the current land use designations applied to the subject area in the county comprehensive plan; (b) a list of the current county zoning designations applied to the subject area; (c) a general statement of present land use designations of the area; and (d) a description of development being proposed for the territory, if any, and a statement of when actual development is expected to begin, if known. (Section 165.041(1)(b)3., F.S.)

Staff Analysis: The Study (pp. 12-13) provides discussions of these characteristics of the area. ***Whether or not these discussions are sufficient is outside EDR's purview. The determination that this element has been properly satisfied is best suited to the professional planning staff of the Department of Economic Opportunity's Division of Community Development.***

Element #4

A list of all public agencies, such as local governments, school districts, and special districts, whose current boundary falls within the boundary of the territory proposed for the change or reorganization. (Section 165.041(1)(b)4., F.S.)

Staff Analysis: The Study (pp. 13-14) provides a list of various state and local agencies whose current boundaries fall within Compass Lake in the Hills' boundary. ***In addition to the list of public agencies included in the Study, the Department of Economic Opportunity's Special District Accountability Program also identifies several independent special districts, which operate in Jackson County but do not appear in the Study's list. These additional entities include the Campbellton-Graceville Hospital, Jackson County Hospital District, and Jackson Soil and Water Conservation District. It is assumed that the current boundary of one or more of these independent special districts falls within Compass Lake in the Hills' proposed boundary.***

Element #5

A list of current services being provided within the proposed incorporation area, including, but not limited to, water, sewer, solid waste, transportation, public works, law enforcement, fire and rescue, zoning, street lighting, parks and recreation, and library and cultural facilities, and the estimated costs for each current service. (Section 165.041(1)(b)5., F.S.)

Staff Analysis: The Study (pp. 14-16) lists current services being provided within the proposed area of incorporation. The Study states that many current services (i.e., emergency medical services, fire/rescue services, law enforcement, parks and recreation, planning and development, and solid waste) are operated countywide by Jackson County. Two services (i.e., fire/rescue services and law enforcement) are enhanced by the Property Owners Association (POA) at additional cost to the Community. In order to provide a higher level of service, the Study states that the POA funds through a county grant a volunteer fire department within the Community, and the proposed City would increase funding of this volunteer fire department after incorporation. Additionally, the Community currently contracts with the Jackson County Sheriff's Office for a full-time deputy assigned to the Community for enhanced law enforcement services. Furthermore, the Community's road department is currently operated by the POA.

The Community's current expenditures associated with its road department and additional fire/rescue and law enforcement service enhancements are primarily funded through a county-authorized Municipal Service Taxing Unit (MSTU) for the area. The Study (p. 11) states that the POA has functioned primarily with income provided to the MSTU through an annual assessment on each buildable lot, and the current fee is \$135 per lot.

EDR has the following comments regarding this element.

- 1. Although the Study identifies current expenditures associated with the POA's funding of its road department and enhanced fire/rescue and law enforcement services, it does not include any estimated costs for current services provided within the Community that are funded by the county government. Consequently, as required by this element, the "estimated costs for each current service" are not fully articulated.***
- 2. The Study notes several services that would continue to be provided by current providers to the residents of Compass Lake in the Hills following municipal incorporation. However, there is no documentation (i.e., letters of intent or memorandums of understanding) from the Jackson County Board of County Commissioners or the Jackson County Sheriff's Office confirming that such current services would continue.***

Element #6

A list of proposed services to be provided within the proposed incorporation area, and the estimated cost of such proposed services. (Section 165.041(1)(b)6., F.S.)

Staff Analysis: The Study (pp. 16-18) provides a list of proposed services (i.e., legal services, managerial services, planning and development services, general operations and city hall, parks and recreation, and transportation) to be provided within Compass Lake in the Hills. Additionally, the Study states the following methodologies were used to calculate expenses.

- 1. The expenses associated with transportation, policing, and firefighting services were calculated by using the current and past years' MSTU budgets.**

2. The Community's management staff provided an assessment of the staffing needs required for the new municipality.
3. The budgets of Jackson County and the municipalities of Alford, Cedar Key, Grand Ridge, and Sopchoppy were used to compare, provide insight, or model costs associated with operating the proposed municipality. The Study states these local governments were selected after considering factors, including but not limited to, population, the relative size of the county, and the transparency of available budget data.

Although the Study provides a list of each proposed service and the factors considered to determine an estimated cost, it does not fully articulate, as required in this element, the estimated cost of each service.

Element #7

The names and addresses of three officers or persons submitting the proposal. (Section 165.041(1)(b)7., F.S.)

Staff Analysis: The Study (p. 19) provides the names, addresses, and phone numbers of three individuals. ***EDR staff did contact one of these three individuals, Mr. John Laymon – one of the Study's co-authors, to seek answers to staff questions about the Study.***

Element #8

Evidence of fiscal capacity and an organizational plan as it relates to the area seeking incorporation that, at a minimum, includes: (a) existing tax bases, including ad valorem taxable value, utility taxes, sales and use taxes, franchise taxes, license and permit fees, charges for services, fines and forfeitures, and other revenue sources, as appropriate; and (b) a 5-year operational plan that, at a minimum, includes proposed staffing, building acquisition and construction, debt issuance, and budgets. (Section 165.041(1)(b)8., F.S.)

Staff Analysis: The Study (pp. 19-23) includes discussion of proposed municipal revenues (pp. 19-21) and the five-year operational plan (pp. 21-23).

The Study discusses six revenue sources that will be initially utilized by Compass Lake in the Hills: one tax source (i.e., Local Option Fuel Tax); one fee source (i.e., the non-ad valorem assessment of \$135 per lot); three intergovernmental revenue sources (i.e., Local Government Half-cent Sales Tax Program and Municipal Revenue Sharing Program proceeds and a county grant for fire/rescue services); and one miscellaneous revenue source (i.e., city fees, traffic fines). Also, the Study mentions additional revenue sources (i.e., ad valorem tax, communication services tax, local business tax, public service tax) that might be utilized by the municipal government in the future. Furthermore, the Study (pp. 21-23) presents a 5-year operational plan with 5-year revenue and expenditure detail tables.

EDR has the following comments regarding this element.

1. ***Although not specifically required in this element, the Study author(s) should consider including a proposed incorporation timeline, which specifies the expected dates (i.e., month and year) of major events in the municipality's formation and initial receipt of municipal revenues. At a minimum, such events should include the citizen referendum, city's date of creation, first municipal elections, first meeting of the governing body, initial receipt of state revenue-sharing and local option sales and fuel tax revenues, and expiration of any state revenue-sharing qualification waiver. Such timelines have been included in recent municipal incorporation feasibility studies***

- submitted to the Florida Legislature and are useful to agency reviewers and citizens of the Community trying to assess the timely collection and receipt of proposed revenues by the new municipality, particularly any applicable ad valorem, state-shared, and local option tax revenues.*
- 2. Although the Study (pp. 19-21) provides a brief and general discussion of municipal revenues, it does not include "existing tax bases, including ad valorem taxable value, utility taxes, sales and use taxes, franchise taxes, license and permit fees, charges for services, fines and forfeitures, and other revenue sources, as appropriate" as required by part (a) of this element.*
 - 3. The Study (p. 19) includes the following statement: "It is also anticipated that the funds for state revenue sharing, a portion of the state generated 1% sales tax, the net discretionary state revenue share and state share half-cent sales tax, planning and development fees, franchise fees and portions of the public services tax, communication services tax will form the basis of revenue for the new City of Compass Lake in Hills." This statement seems to imply that these revenues will be utilized; however, later statements made about several of these revenue sources indicate the opposite. For example, the Study (p. 20) states: "It is not anticipated at this time that the City of Compass Lake in Hills will levy a communications service tax." Further, it states: "At this time, the City of Compass Lake in the Hills does not anticipate levying a public service tax." Finally, the Study (p. 15) states that the current fee for the exclusive franchise of solid waste collection services will terminate with the county and be transferred to or renegotiated by the municipality and become an additional municipal revenue source; however, such fees are not included in the Study's (p. 22) Table 1: 5-Year Revenue Detail.*
 - 4. Although the consultant (i.e., Bogan Public Management Company) prepared estimates of several state revenue-sharing programs to the proposed municipality (Appendix C, pp. 72-77), the Department of Revenue (DOR) should be asked to prepare estimates as well since DOR administers these programs. In prior incorporation feasibility studies, such DOR-prepared estimates have been included in the studies, and these estimates can be used to test the reasonableness of the consultant's figures.*
 - 5. The Study (p. 21) states: "This section presents a 5-year operational plan for the City of Compass Lake in the Hills spanning the fiscal year beginning October 1, 2016 through the fiscal year ending September 30, 2021." In order to minimize potential confusion, each year in the 5-Year Revenue, Expense, and Road Department Detail tables should be clearly labeled (i.e., FY 2016-17, FY 2017-18, FY 2018-19, FY 2019-20, and FY 2020-21). Furthermore, Year 1 of the 5-Year Balance Sheet table is incorrectly labeled as FY 15-16 and should be labeled as FY 2016-17.*
 - 6. The Study (p. 21) states: "To ensure political stability and meet the commitments discussed at various meetings held within the Community, the \$135 per annum per lot assessment will not be increased and will remain the same for the entire 5 years." In practicality, this may be difficult to calibrate to the constant lot assessment total displayed in Table 1. Annual state revenue-sharing and local option tax revenues also remain constant during the 5-year period, and no explanation is offered for this no-growth assumption. Additionally, the Study provides no explanation of the 20% revenue growth of the interlocal agreement line item (i.e., payment for supplemental fire/rescue services provided by the municipality) between Years 2 and 3 with no growth thereafter. Furthermore, no explanation is offered for the City Fees, Traffic Fines revenues beginning in Year 2, which are increased by 25% between Years 3 and 4 and 20% between Years 4 and 5.*
 - 7. The Study discusses the methodologies used to calculate expenses (refer back to Element #6). Although there is very little detailed explanation of how specific expense line items were calculated, the overall explanation of the methodologies used seems reasonable since the POA currently manages most of the expenses that will be assumed by the new municipality.*
 - 8. The Study's 5-Year Expense Detail assumes less than 1% annual growth in expenses. No explanation for this assumption is offered.*

- 9. Table 4: Balance Sheet needs to be corrected to match Tables 1 and 2. The Total Revenues and Total Expenses listed in the Balance Sheet do not match the figures in the separate 5-Year Revenue and Expense Detail tables. Additionally, there is no explanation of why the Ending Balance in a particular year does not become the Beginning Balance in the following year. Furthermore, a new entry titled Interest and Principal Payment is introduced in Table 4 as a revenue, which appears to match the expenditure in Table 2 for Reserves.**

Element #9

Data and analysis to support the conclusions that incorporation is necessary and financially feasible, including population projections and population density calculations, and an explanation concerning methodologies used for such analysis. (Section 165.041(1)(b)9., F.S.)

Staff Analysis: The Study (pp. 24-25) refers back to the data and analysis furnished in response to Section 165.041(1)(b)8., F.S., as evidence to support its conclusion that incorporation is necessary and financially feasible. Additionally, the Study acknowledges the Compass Lake in the Hills is not a census designated place; consequently, the Community's management undertook an administrative census to estimate the number of full-time residents. Through phone or in-person interviews, management estimated the Community's number of full-time residents at 512.

Additionally, the Study discusses recent and current county economic development initiatives to attract manufacturing facilities that have resulted or may result in new jobs for county residents. Furthermore, the Study suggests that Compass Lake in the Hills "will benefit significantly from new job creation in the area" since the Community represents the largest single subdivision within the county that has a significant number of "shovel ready" home sites. Analyzing figures in Table 5: Population Projections, EDR determined that the Study assumes average annual population growth of 2.4%, both in the short-term (i.e., 2015-2020) and the long-term (i.e., 2015-2040).

EDR has the following comments regarding this element.

- 1. The Study's (pp. 24-25) population projections and estimates are not the most current and should be updated to reflect the latest available data published on the EDR's website.***
- 2. As previously discussed, the administrative census conducted by the Community's management estimated the 2015 population at 512 full-time residents. However, the population projections begin with a 2015 population of 421, which is 91 less than the census count. There is no explanation of why this lower figure is used in the population projections.***
- 3. Compass Lake in the Hills' average annual population growth rate of 2.4% appears to be too optimistic for the following reasons. As published on EDR's website, the most recent population projections for Jackson County suggest that the average annual population growth rate will be 0.2% in the short-term (i.e., 2015-2020) and 0.1% in the long-term (i.e., 2015-2040). Additionally, based on official county population estimates, Jackson County's total population averaged 0.3% annual growth between 2010 and 2015.***

Element #10

Evaluation of the alternatives available to the area to address its policy concerns. (Section 165.041(1)(b)10., F.S.)

Staff Analysis: The Study (p. 25) states: "The only alternative to incorporation is the status quo. We would need to rely on the continuance of the MSTU and the partnership with the County." The Study discusses three reasons why proponents believe incorporation is best. First, incorporation proponents

believe the status quo does not offer the Community the opportunity to apply for federal and state grants. Second, the status quo does not allow opportunities for the proper planning of water and sewer systems and enhancements to the fire department. Finally, the status quo does not provide for local control of the Community's planning and growth management, ordinance adoption, and taxation.

EDR has the following comments regarding this element.

- 1. Although the Study identifies future water and sewage systems to improve water quality and enhancements to the fire department as primary reasons for incorporation, the 5-year operational plan allocates little monies to fund such initiatives.***
- 2. Ultimately, the validity and reasonableness of the discussed alternatives are more appropriately in the arena of policy making and depend on the reviewer's support or opposition to municipal incorporation.***

Element #11

Evidence that the proposed municipality meets the requirements for incorporation pursuant to s. 165.061. (Section 165.041(1)(b)11., F.S.)

Staff Analysis: Section 165.061(1), F.S., enumerates six standards that must be met in the area proposed for incorporation. ***EDR's analysis of whether or not Compass Lake in the Hills has satisfied each of these six standards is addressed in Part Two of this letter.***

Part Two: EDR's Evaluation of the Feasibility Study with Respect to the Standards of Incorporation

Pursuant to Section 165.061(1), F.S., six standards must be met in the area proposed for incorporation. This section addresses each of these six standards.

Standard #1

It must be compact and contiguous and amenable to separate municipal government. (Section 165.061(1)(a), F.S.)

Staff Analysis: This section of Florida law does not provide statutory definitions of compact or contiguous. However, the Merriam-Webster dictionary defines *compact*, in part, to mean *occupying a small volume by reason of efficient use of space*. Furthermore, *contiguous* is defined, in part, to mean *touching or connected throughout in an unbroken sequence*.

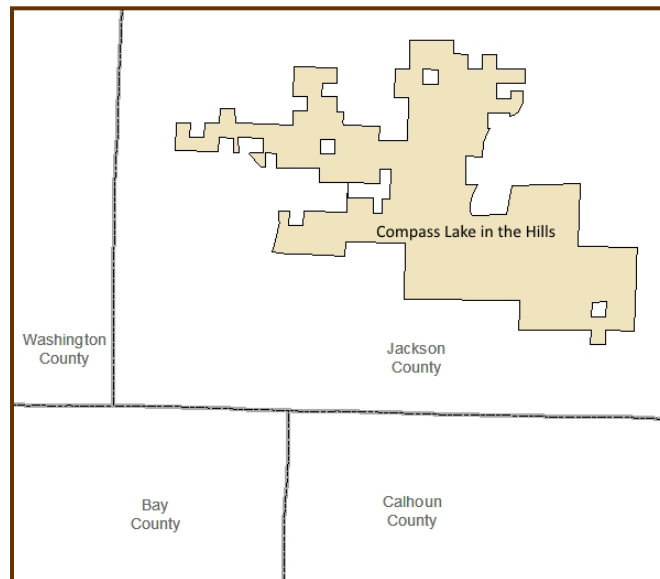
In the context of municipal governments, Section 171.031(12), F.S., provides a definition of compactness. The definition reads: *"Compactness" means concentration of a piece of property in a single area and precludes any action which would create enclaves, pockets, or finger areas in serpentine patterns. Any annexation proceeding in any county in the state shall be designed in such a manner as to ensure that the area will be reasonably compact.* However, this definition is found in Part One of Chapter 171, F.S., which addresses municipal annexation or contraction – not municipal incorporation.

The Study (pp. 10, 78) includes maps of Compass Lake in the Hills, and it (p. 26) states that the "proposed boundaries of the City of Compass Lake in the Hills are compact, contiguous and amenable to separate municipal government." However, the Study acknowledges the existence of four "enclaves" within the proposed municipal boundaries. Section 171.031(13)(a), F.S., defines an *"enclave"* to mean *any unincorporated improved or developed area that is enclosed within and bounded on all sides by a single municipality*. The Study states these parcels are rural and undeveloped and do not interfere with

the current level of services provided and will not pose a detriment to the future delivery of municipal services. However, after a review of property tax data and discussions with county staff, one or more of these parcels are developed properties and should be considered enclaves.

For the purpose of analysis, EDR created the following map that approximates Compass Lake in the Hills based on Geographic Information Systems (GIS) shapefiles provided by Jackson County’s Department of Community Development. EDR’s map representation of Compass Lake in the Hills reflects an area of 10,211 acres. This map was utilized in EDR’s analysis of this Standard as well as Standards #2-4 to follow.

EDR-Created Map Based on GIS Data Provided by Jackson County



Regarding compactness and measures of the compactness, the following is excerpted from: Supreme Court of Florida, No. SC12-1, In Re: Senate Joint Resolution of Legislative Apportionment 1176, March 9, 2012.

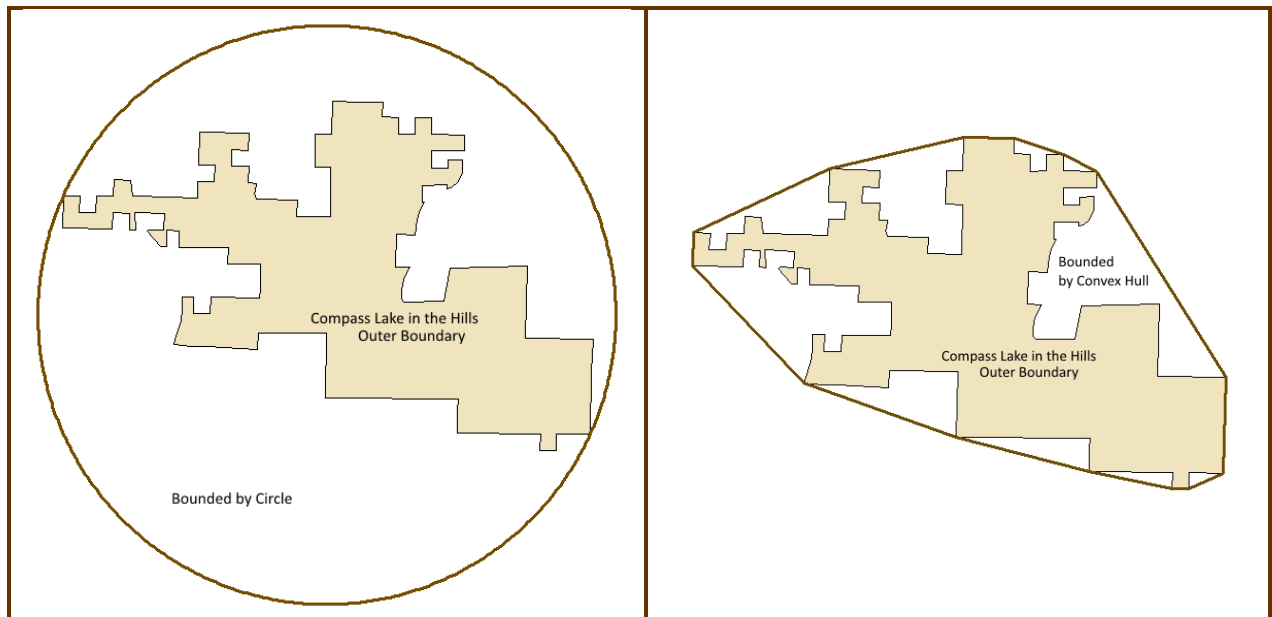
“As a geographical inquiry, a review of compactness begins by looking at the “shape of a district”; the object of the compactness criterion is that a district should not yield “bizarre designs.” Hickel, 846 P. 2d at 45; see also Kilbury, 90 P.3d at 1077 (“[T]he phrase ‘as compact as possible’ does not mean ‘as small in size as possible,’ but rather ‘as regular in shape as possible.’”). Compact districts should not have an unusual shape, a bizarre design, or an unnecessary appendage unless it is necessary to comply with some other requirement.”

“In addition to a visual examination of a district’s geometric shape, quantitative geometric measures of compactness have been used to assist courts in assessing compactness. In fact, there is commonly used redistricting software that includes tools designed to measure compactness. The House actually used two such measurements. First, the House utilized the Reock method (circle-dispersion measurement), which measures the ratio between the area of the district and the area of the smallest circle that can fit around the district. This measure ranges from 0 to 1, with a score of 1 representing the highest level of compactness as to its scale. Second, the House used the Area/Convex Hull method in its analysis, which measures the ratio between the area of the district and the area of the minimum convex bounding polygon

that can enclose the district. The measure ranges from 0 to 1, with a score of 1 representing the highest level of compactness. A circle, square, or any other shape with only convex angles has a score of 1. Both measures used by the House have gained relatively broad acceptance in redistricting.”

The following maps reflect the application of these two measures of compactness showing the outer boundary of Compass Lake in the Hills: 1) within the smallest circle that can fit around the jurisdiction, in order to calculate the Reock score; and 2) within the minimum convex bounding polygon, in order to calculate the Area/Convex Hull score. For Compass Lake in the Hills’ proposed boundary, the Reock score is 0.27 and the Area/Convex Hull score is 0.58. As previously mentioned, the closer each score is to 1, the higher the level of compactness.

Proposed Jurisdiction Showing the Reock and Area/Convex Hull Representations



EDR has the following comments regarding this standard.

- 1. It may be useful to review the purposes of municipal formation when considering the issue of compactness. Section 165.021(1), F.S., states that municipal formation should “allow orderly patterns of urban growth and land use.” In the context of municipal incorporation, compactness increases the likelihood of the efficient delivery of municipal services. When reviewing compactness, the annexation criterion can be considered but should not be the sole basis for determining compactness of a new municipal incorporation.***
- 2. In reviewing Compass Lake in the Hills’ boundary map included in the Study, the proposed municipality extends out in several directions from a central core. Additionally, the Study acknowledges the existence of four enclaves within the proposed municipal boundaries. Although Compass Lake in the Hills’ boundary appears to be contiguous, EDR suggests the proposed municipality lacks compactness.***

Standard #2

It must have a total population, as determined in the latest official state census, special census, or estimate of population, in the area proposed to be incorporated of at least 1,500 persons in counties

with a population of 75,000 or less, and of at least 5,000 population in counties with a population of more than 75,000. (Section 165.061(1)(b), F.S.)

Staff Analysis: The most recent official population estimate (i.e., April 1, 2015) for Jackson County is 50,458. Consequently, any new incorporation within the county would be required to have a minimum population of 1,500. The Study (p. 24) estimates the number of full-time residents at 512 in 2015 using a survey conducted by the Community's management. Furthermore, EDR estimated the population at 405 in 2010 using Census counts by census blocks that were contained within the proposed municipal boundary. **Based on the Study's and EDR's estimates, the proposed municipality does not have a population greater than the minimum population threshold of 1,500. Therefore, Compass Lake in the Hills fails to meet the minimum total population standard for municipal incorporation.**

Standard #3

It must have an average population density of at least 1.5 persons per acre or have extraordinary conditions requiring the establishment of a municipal corporation with less existing density. (Section 165.061(1)(c), F.S.)

Staff Analysis: The Study (pp. 27-28) acknowledges that Compass Lake in the Hills will not meet the population density requirement; however, it discusses several "extraordinary conditions, which warrant incorporation with less existing density." EDR's analysis based on population and land area also confirms that Compass Lake in the Hills does not meet the population density threshold. **Based on these analyses, the proposed municipality does not have a current population density greater than the minimum requirement of 1.5 persons per acre. Therefore, Compass Lake in the Hills fails to meet minimum population density standard.**

Standard #4

It must have a minimum distance of any part of the area proposed for incorporation from the boundaries of an existing municipality within the county of at least 2 miles or have an extraordinary natural boundary which requires separate municipal government. (Section 165.061(1)(d), F.S.)

Staff Analysis: The Study (p. 28) states that the standard is met because the proposed City of Compass Lake in the Hills is located approximately 4 miles from the nearest municipality, the Town of Alford, and no other municipalities are closer than the Town of Alford. **EDR's review suggests that the straight-line distance between nearest boundary of proposed municipality and the closest municipality of Alford is approximately 2.5 miles. Therefore, Compass Lake in the Hills satisfies the minimum distance standard.**

Standard #5

It must have a proposed municipal charter which: (1) prescribes the form of government and clearly defines the responsibility for legislative and executive functions, and (2) does not prohibit the legislative body of the municipality from exercising its powers to levy any tax authorized by the Constitution or general law. (Section 165.061(1)(e), F.S.)

Staff Analysis: The Study (Appendix A, pp. 30-52) includes a proposed municipal charter and Appendices B-C (pp. 53-78) addressing land use descriptions and consultant-prepared revenue estimates. **The review of the proposed municipal charter for legal sufficiency is outside EDR's purview. The determination that this standard has been satisfied is better suited to the legal staffs of the**

Department of Economic Opportunity, Department of Revenue, and the House Local & Federal Affairs Committee.

In reviewing the charter, EDR has the following comments.

- 1. The Study and municipal charter should be consistent in the use of the complete and proper name of the proposed municipality. The Executive Summary (p. 4) states "At the outset, it is important to note that the Community of Compass Lake in the Hills will continue to be known as Compass Lake in the Hills." However, repeatedly in the charter, the municipality is referenced as the "City of Compass Lake." Furthermore, in the Element #8 write-up (pp. 19-23), the municipality is referenced several times as Compass Lake in Hills.*
- 2. Several date references in the charter's Section 9: Transition Schedule, as detailed below, are or may be incorrect and should be updated. The Study (p. 21) states: "This section presents a 5-year operational plan for the City of Compass Lake in the Hills spanning the fiscal year beginning October 1, 2016 through the fiscal year ending September 30, 2021." However, Subsection (4) of the charter states: "CREATION AND ESTABLISHMENT OF The City. For the purpose of compliance with Section 200.066, Florida Statutes, the City is created and established effective July 1, 2015." Subsection (10) of the charter also states, in part: "STATE-SHARED REVENUES. The City of Compass Lake shall be entitled to participate in all shared revenue programs of the state available to municipalities effective July 1, 2015." Additionally, Subsection (10) of the charter states: "The provisions of Section 218.23(1), Florida Statutes, shall be waived for the purpose of eligibility to receive revenue-sharing funds from the date of incorporation through December 31, 2019." Furthermore, Subsection (12) of the charter states: "WAIVER. The provisions of Section 218.23(1), Florida Statutes, shall be waived for the purpose of conducting audits and financial reporting through fiscal year 2015-2016."*

Standard #6

In accordance with s. 10, Art. I of the State Constitution, the plan for incorporation must honor existing solid-waste contracts in the affected geographic area subject to incorporation. However, the plan for incorporation may provide for existing contracts for solid-waste-collection services to be honored only for 5 years or the remainder of the contract term, whichever is less, and may require that a copy of the pertinent portion of the contract or other written evidence of the duration of the contract, excluding any automatic renewals or evergreen provisions, be provided to the municipality within a reasonable time after a written request to do so. (Section 165.061(1)(f), F.S.)

Staff Analysis: The Study (p.28) states: "There are no solid waste contracts that currently exist and no plants planned or in existence that will affect the area of incorporation. ***Since the Study states that no solid waste contract currently exists, it appears that this standard is not applicable.***

Conclusion

EDR has identified issues with several of the required elements of the Study, particularly Element #8 relating to evidence of fiscal capacity. EDR would have preferred to see more explanation of how the costs of services were calculated and what factors were considered in making assumptions about future expenditure and revenue and population growth rates.

EDR finds that the proposed municipality of Compass Lake in the Hills violates two of the six statutory standards of incorporation relating to total population and population density, which is also acknowledged by the Study's authors. Additionally, EDR suggests that Compass Lake in the Hills violates

the standard that it must be compact, contiguous, and amenable to separate municipal government because the proposed municipality lacks compactness. However, the Study does not concur.

In the event that state agencies reviewing the Study disagree by some finding that all six standards for municipal incorporation have been satisfied, the Florida Legislature could exercise its option to waive the standard(s) in order for this incorporation proposal to proceed forward.

Additional Supplementary Material

In addition to its review of the Feasibility Study, EDR prepared a table which compares Compass Lake in the Hills’ estimated FY 2016-17 revenues and expenditures (i.e., first full fiscal year of municipal operations) to those of ten similarly-populated Florida municipalities. The comparison cities’ fiscal data are for the 2012-13 fiscal year and reflect the latest available data submitted by these municipalities via their Annual Financial Reports to the Department of Financial Services.

Although the reported revenues and expenditures of these municipalities reflect different time periods, this comparison may be instructive in illustrating how Compass Lake in the Hills’ first full fiscal year revenues and expenditures compare to more “mature” cities having similar populations. On a per capita basis, Compass Lake in the Hills’ proposed revenues and expenditures were the third highest and the second highest, respectively, among the comparison cities and are nearly double those of its closest municipal neighbor – the Town of Alford.

Please let us know if you have any questions regarding this review.

Sincerely,



Amy J. Baker
Coordinator

cc: Tom Yeatman, Staff Director, Senate Committee on Community Affairs

Attachment

Compass Lake in the Hills Incorporation Feasibility Study

Comparison of the Proposed Municipality's Revenues and Expenditures to Those of Other Similarly-Populated Municipalities

Other Similarly-Populated Municipalities (Sorted by Population: Low to High)

Municipality	Sopchoppy	Hampton	Yankeetown	Alford	Reddick	Compass Lake in the Hills (Proposed)	Laurel Hill	Bell	Ponce de Leon	Fort White	Jay
Home County	Wakulla	Bradford	Levy	Jackson	Marion	Jackson	Okaloosa	Gilchrist	Holmes	Columbia	Santa Rosa
Year of Incorporation	1955	1870	1925	1959	1925	2016	1953	1905	1963	1884	1939
<i>Population Figures</i>											
2015 Population Estimate	459	477	489	491	501	512	534	537	557	560	563
2014 Population Estimate	450	480	493	504	498	-	531	497	554	559	529
2013 Population Estimate	450	492	495	499	510	-	520	430	565	558	556
2012 Population Estimate	448	477	491	485	516	-	529	425	556	570	526
2011 Population Estimate	457	490	494	489	511	-	527	440	589	565	522
2010 Population Census	457	500	502	489	506	-	537	456	598	567	533
<i>Total Revenues by Category</i>											
Taxes	\$ 25,052	\$ 73,409	\$ 237,024	\$ 107,168	\$ 128,385	\$ 27,000	\$ 112,000	\$ 82,364	\$ 147,510	\$ 102,155	\$ 148,550
Permits, Fees, and Special Assessments	\$ 23,826	\$ 17,292	\$ 39,709	\$ 31,015	\$ -	\$ 839,312	\$ 20,570	\$ 63,788	\$ 1,987	\$ 49,311	\$ 51,671
Intergovernmental Revenue	\$ 633,669	\$ 549,164	\$ 33,638	\$ 110,923	\$ 57,242	\$ 68,000	\$ 87,368	\$ 98,670	\$ 496,567	\$ 97,258	\$ 87,909
Charges for Services	\$ 1,336,988	\$ 53,454	\$ 329,730	\$ 132,358	\$ 5,055	\$ -	\$ 276,547	\$ -	\$ 267,848	\$ 192,857	\$ 492,481
Judgments, Fines, and Forfeits	\$ 667	\$ 211,382	\$ -	\$ 25,006	\$ -	\$ -	\$ 2,698	\$ 102	\$ -	\$ -	\$ -
Miscellaneous Revenues	\$ 12,846	\$ 12,891	\$ 42,666	\$ 7,809	\$ (6,407)	\$ -	\$ 25,576	\$ 9,402	\$ 44,827	\$ 6,036	\$ 164,264
Other Sources	\$ 13,500	\$ -	\$ 15,995	\$ 40,141	\$ -	\$ -	\$ 3,955	\$ -	\$ 22,188	\$ -	\$ 13,350
Total - All Revenue Accounts	\$ 2,046,548	\$ 917,592	\$ 698,762	\$ 454,420	\$ 184,275	\$ 934,312	\$ 528,714	\$ 254,326	\$ 980,927	\$ 447,617	\$ 958,225
<i>Per Capita Revenues by Category</i>											
Taxes	\$ 56	\$ 154	\$ 479	\$ 215	\$ 252	\$ 53	\$ 215	\$ 192	\$ 261	\$ 183	\$ 267
Permits, Fees, and Special Assessments	\$ 53	\$ 36	\$ 80	\$ 62	\$ -	\$ 1,639	\$ 40	\$ 148	\$ 4	\$ 88	\$ 93
Intergovernmental Revenue	\$ 1,408	\$ 1,151	\$ 68	\$ 222	\$ 112	\$ 133	\$ 168	\$ 229	\$ 879	\$ 174	\$ 158
Charges for Services	\$ 2,971	\$ 112	\$ 666	\$ 265	\$ 10	\$ -	\$ 532	\$ -	\$ 474	\$ 346	\$ 886
Judgments, Fines, and Forfeits	\$ 1	\$ 443	\$ -	\$ 50	\$ -	\$ -	\$ 5	\$ 0	\$ -	\$ -	\$ -
Miscellaneous Revenues	\$ 29	\$ 27	\$ 86	\$ 16	\$ (13)	\$ -	\$ 49	\$ 22	\$ 79	\$ 11	\$ 295
Other Sources	\$ 30	\$ -	\$ 32	\$ 80	\$ -	\$ -	\$ 8	\$ -	\$ 39	\$ -	\$ 24
Total - All Revenue Accounts	\$ 4,548	\$ 1,924	\$ 1,412	\$ 911	\$ 361	\$ 1,825	\$ 1,017	\$ 591	\$ 1,736	\$ 802	\$ 1,723

Compass Lake in the Hills Incorporation Feasibility Study

Comparison of the Proposed Municipality's Revenues and Expenditures to Those of Other Similarly-Populated Municipalities

Other Similarly-Populated Municipalities (Sorted by Population: Low to High)

Municipality	Sopchoppy	Hampton	Yankeetown	Alford	Reddick	Compass Lake in the Hills (Proposed)	Laurel Hill	Bell	Ponce de Leon	Fort White	Jay
Home County	Wakulla	Bradford	Levy	Jackson	Marion	Jackson	Okaloosa	Gilchrist	Holmes	Columbia	Santa Rosa
Year of Incorporation	1955	1870	1925	1959	1925	2016	1953	1905	1963	1884	1939
Total Expenditures by Category											
General Government Services	\$ 24,605	\$ 84,941	\$ 199,913	\$ 144,672	\$ 32,436	\$ 372,912	\$ 128,963	\$ 256,956	\$ 178,610	\$ 104,936	\$ 265,024
Public Safety	\$ 521	\$ 203,278	\$ -	\$ 74,622	\$ 10,508	\$ 171,000	\$ 5,182	\$ 2,576	\$ 19,921	\$ -	\$ -
Physical Environment	\$ 1,249,826	\$ 99,365	\$ 451,621	\$ 140,400	\$ 25,848	\$ -	\$ 282,870	\$ -	\$ 363,635	\$ 291,863	\$ 552,882
Transportation	\$ 16,840	\$ 50,277	\$ 40,465	\$ 108,008	\$ 99,152	\$ 390,400	\$ 65,832	\$ 4,735	\$ -	\$ 50,419	\$ 59,777
Economic Environment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Human Services	\$ -	\$ -	\$ 4,667	\$ -	\$ -	\$ -	\$ -	\$ 2,400	\$ -	\$ -	\$ -
Culture / Recreation	\$ 80,820	\$ 11,563	\$ 60,624	\$ 24,832	\$ 7,656	\$ -	\$ 475	\$ 2,015	\$ 17,824	\$ 12,256	\$ 40,653
Other Uses and Non-Operating	\$ 69,611	\$ -	\$ 36,744	\$ -	\$ -	\$ -	\$ 3,455	\$ -	\$ 53,189	\$ -	\$ 5,000
Total - All Expenditure Accounts	\$ 1,442,223	\$ 449,424	\$ 794,034	\$ 492,534	\$ 175,600	\$ 934,312	\$ 486,777	\$ 268,682	\$ 633,179	\$ 459,474	\$ 923,336
Per Capita Expenditures by Category											
General Government Services	\$ 55	\$ 178	\$ 404	\$ 290	\$ 64	\$ 728	\$ 248	\$ 598	\$ 316	\$ 188	\$ 477
Public Safety	\$ 1	\$ 426	\$ -	\$ 150	\$ 21	\$ 334	\$ 10	\$ 6	\$ 35	\$ -	\$ -
Physical Environment	\$ 2,777	\$ 208	\$ 912	\$ 281	\$ 51	\$ -	\$ 544	\$ -	\$ 644	\$ 523	\$ 994
Transportation	\$ 37	\$ 105	\$ 82	\$ 216	\$ 194	\$ 763	\$ 127	\$ 11	\$ -	\$ 90	\$ 108
Economic Environment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Human Services	\$ -	\$ -	\$ 9	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ -	\$ -	\$ -
Culture / Recreation	\$ 180	\$ 24	\$ 122	\$ 50	\$ 15	\$ -	\$ 1	\$ 5	\$ 32	\$ 22	\$ 73
Other Uses and Non-Operating	\$ 155	\$ -	\$ 74	\$ -	\$ -	\$ -	\$ 7	\$ -	\$ 94	\$ -	\$ 9
Total - All Expenditure Accounts	\$ 3,205	\$ 942	\$ 1,604	\$ 987	\$ 344	\$ 1,825	\$ 936	\$ 625	\$ 1,121	\$ 823	\$ 1,661

Notes:

- 1) With the exception of Hampton, the revenues and expenditures of the comparison municipalities are obtained from Annual Financial Reports (AFR) for the local fiscal year ended 2013 (most recent fiscal year data currently available) submitted to the Florida Department of Financial Services. The calculations of per capita revenues and expenditures are made using each respective municipality's 2013 population estimate since it corresponds to the AFR fiscal year data. Because Hampton's 2012-13 AFR data are not available at this time, the municipality's 2011-12 AFR data and 2012 population estimate are used.
- 2) This analysis uses Compass Lake in the Hills' proposed Year 1 (i.e., FY 2016-17) revenues and expenditures, which are summarized in the Feasibility Study (p. 22). The calculations of per capita revenues and expenditures are made using the Study's estimated 2015 population of 512.
- 3) The Compass Lake in the Hills' Taxes revenue amount is the estimated Local Option Fuel Tax of \$27,000. The Permits, Fees, and Special Assessments revenue amount reflects the lot assessments, \$839,312. The Intergovernmental Revenues amount is the sum total of the following: Local Government Half-Cent Sales Tax Program, \$30,000; and Municipal Revenue Sharing, \$25,500; and the county grant funding (i.e., interlocal agreement), \$12,500.
- 4) The Compass Lake in the Hills' expenditures were aggregated into categories as follows. Public Safety is the sum total of fire department, police operations, fire equipment lease, and fire station building lease expenditures. Transportation is the sum total of road department, road equipment lease, road barn building lease and clay pit building lease expenditures. General Government Services is the sum total of all other expenditures.