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Speaker of the House of
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Eric H. Miller, Policy Chief
Florida House of Representatives
Government Accountability Committee
Local, Federal & Veterans Affairs Subcommittee
209 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 the *South Walton Incorporation Feasibility Study*, authored by William Underwood, UMSG, Inc., Jon Moyle, The Moyle Law Firm, and A Better South Walton, Inc., Board of Directors, 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.

Using the data and information submitted in the Feasibility Study dated September 2016 (hereinafter, "the Study"); the House Local Government Affairs Subcommittee's letter to the Moyle Law Firm dated September 12, 2016; the Moyle Law Firm's response to the House Local Government Affairs Subcommittee dated October 5, 2016; and other available data; EDR suggests that the proposed municipality of South Walton (hereinafter, "South Walton") violates one of the six statutory standards of incorporation (i.e., area proposed for incorporation must have an average population density of at least 1.5 persons per acre). Additionally, EDR has identified deficiencies with respect to several of the Study's 11 required elements.

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 (p. 2) states: "The area known as South Walton is all that area in Walton County which is south of the Intercoastal Waterway Canal and the Choctawhatchee Bay. The area includes twenty-six (26) linear miles of beaches to the South and twenty-six (26) miles of inland waterways to the North." The Study (p. 4) includes a small map of the proposed incorporation area.

The review of the proposed municipality's legal description and maps for both legal sufficiency and accuracy is outside EDR's purview. In its September 12, 2016 letter to the Moyle Law Firm, the House Local Government Affairs Subcommittee noted the Study's deficiency concerning this element and suggested a resolution. In its October 5, 2016 response to correct the deficiency, the Moyle Law Firm submitted an enlarged area map with legible notations and a legal description of the proposed incorporation area that matches the legal description of the South Walton Fire District. Consequently, it now appears that this element has been properly satisfied.

Element #2

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

Staff Analysis: The Study (p. 5) lists the major reasons that proponents express for exploring the viability of South Walton's incorporation.

1. "South Walton has its own pertinent localized government needs as a result of its rapid growth over the last twenty years."
2. "South Walton needs self-governance and adequate local representation to compliment ongoing services provided by the Greater Walton County."
3. "South Walton needs to maintain and preserve, on a local level, its natural beauty and continue as the economic engine for Greater Walton County."
4. "Incorporation would allow for orderly patterns of urban growth and land use within the community of South Walton."
5. "By focusing more of the taxes paid by the community of South Walton on those services for South Walton, more equity of financing of municipal services can be achieved as well as the reduction of undesirable differentials in fiscal capacity among neighboring jurisdictions."

An assessment of the validity and reasonableness of the discussed reasons is more appropriate to the arena of policy making and depends 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. 6-7) provides a brief discussion of the present land use characteristics. Additionally, a current land use map and list of proposed development projects prepared by Walton County's GIS and Planning Departments are included as Attachments 1-2 (pp. 22-23).

Whether or not this discussion is sufficient is outside EDR's purview. In its September 12, 2016 letter to the Moyle Law Firm, the House Local Government Affairs Subcommittee noted the Study's deficiency

concerning this element and suggested a resolution. In its October 5, 2016 response to correct the deficiency, the Moyle Law Firm submitted an enlarged area map depicting the current county land use designations. Consequently, it now appears that this element has been properly satisfied.

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 (p. 7) provides a list of public agencies whose current boundaries fall within the proposed incorporation area; however, the list of public agencies is incomplete.

In its September 12, 2016 letter to the Moyle Law Firm, the House Local Government Affairs Subcommittee noted the Study's deficiency concerning this element by noting the public agencies that were excluded from the list. In its October 5, 2016 response to correct the deficiency, the Moyle Law Firm noted that the Choctawhatchee River Soil and Water Conservation District's boundaries overlap with the proposed incorporation's boundaries; however, neither entity is expected to have a material impact on the other. Additionally, the October 5th response noted that both the Nature Walk Community Development District and Somerset Community Development District fall completely within the proposed municipality's boundaries; however, these districts will not impact its operations. Consequently, it now appears that this element has been properly satisfied.

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 (p. 8) provides a list of current county services and their estimated costs. The residents of South Walton currently receive most governmental services from Walton County Government. These county services include building inspections, law enforcement, library services, parks and recreation, planning and code enforcement, public works, and solid waste.

According to the Study, South Walton's estimated 2016 population is 23,685 and represents 38% of the countywide population. The costs of county services were calculated by applying South Walton's proportional share of countywide population to each service cost with the exception of South Walton's portion of planning and code enforcement that reflected 80%, rather than 38%, of total service cost. The total countywide costs of services were obtained from the FY 2015-16 Adopted Walton County Budget. Fire control and mosquito control services are provided by the South Walton Fire District and South Walton Mosquito Control District, respectively, and the costs of those services were obtained from the districts' respective budgets. Water and sewer services are provided by private providers, and no estimated service costs are included in the Study.

In its September 12, 2016 letter to the Moyle Law Firm, the House Local Government Affairs Subcommittee noted the Study's deficiency concerning this element by highlighting that although public works and its estimated costs are listed, transportation service and its estimated costs are not listed. In its October 5, 2016 response to correct the deficiency, the Moyle Law Firm noted that no public transportation services are currently provided by the county within the proposed incorporation

area, and it is not anticipated that the proposed municipality will provide any such services. Consequently, it now appears that this element has been properly satisfied.

Element #6

A list of 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. 8-9) states: "The newly incorporated municipality will provide some services but most will continue to be provided by Walton County via an interlocal agreement. The planning assumption is that such interlocal agreements will include the same services and service levels as provided today with the County using existing revenues to cover the expense of such services. No additional money will be paid by the new municipality for the continuation of these services."

In its September 12, 2016 letter to the Moyle Law Firm, the House Local Government Affairs Subcommittee noted the Study's deficiency concerning this element by highlighting that the Study provided no basis for these assumptions, particularly the continuation of county law enforcement and other public safety services. Furthermore, it was suggested that the proponents provide documentation to support the presumed continuation of county services without additional cost to the proposed municipality.

In its October 5, 2016 response to correct the deficiency, the Moyle Law Firm stated the expectation that interlocal agreements will be executed by and between South Walton and Walton County, which will detail arrangements for the county to provide selected ongoing services to the new municipality as are provided today to the proposed incorporation area. The response notes that these services are presently funded by taxpayers in the proposed area of incorporation, and funding will continue through ongoing county taxes. Fire and rescue services and mosquito control services will continue to be provided by existing agencies (i.e., special districts) and funded by specific millage levies as currently done. Additionally, the response included a letter from the Walton County Sheriff's Office stating that law enforcement services, at current levels of service, would continue to the area following municipal incorporation. Furthermore, it was stated that additional documentation to address this issue will be provided. Consequently, it appears that efforts are underway to satisfy this required element.

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. 9) provides the names and addresses of three individuals submitting the incorporation proposal. ***EDR did not attempt to contact these individuals in order to verify this information.***

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. 9-10) includes a brief discussion of existing tax bases and five-year operational plan. The Study states that South Walton's taxable value in 2016 is approximately \$13.9 billion, and the community represents 89.2% of the county's total taxable value. The Study suggests that the proposed municipality's revenue capacity could easily be expanded by imposing new revenues; however, it reasons that state-shared revenues will provide sufficient revenues for municipal operations, which will mostly be concerned with growth management and code enforcement. Furthermore, the Study states that the plan does not include any initial building acquisitions, and it claims there will be excess funding available to make infrastructure improvements without incurring any debt issuance.

The Study (Exhibit B, p. 16) discusses four anticipated revenue sources that will be utilized by South Walton in Year One (i.e., local FY 2017-18) of municipal operations and thereafter: one tax source (i.e., Local Discretionary Sales Surtax); and two intergovernmental revenues (i.e., Local Government Half-cent Sales Tax and Municipal Revenue Sharing) and one miscellaneous revenue source (i.e., Interest Earnings/Other Fees). In Year One, estimated revenues are expected to total \$8.69 million. In Year Two (i.e., 2018-19) of municipal operations and each year thereafter, Charges for Services related to planning services and a Prior Year Fund Balance Carryover are included as additional sources of revenue. In Year Two, estimated revenues total \$11.00 million. All revenues, except Charges for Services and the Prior Year Fund Balance Carryover are projected to increase 1.5% annually.

The Study also discusses anticipated expenditures totaling \$8.21 million in Year One (i.e., 2017-18). These Year One expenditures reflect salary and benefits for hired administrative and finance staff; salaries and expenses of elected town council members; contractual expenses for legal, planning, and solid waste services; office and technology expenses; contingency expense and reserves contribution; and infrastructure improvements. In Year Two (i.e., 2018-19) of municipal operations and each year thereafter, additional planning-related expenses are added. In Year Two, the estimated expenditures total \$10.89 million. Most expenses are projected to increase 2% annually.

EDR has the following comments regarding this element.

- 1. The Study (p. 16) outlines the expected municipal revenues originating from two state revenue sharing programs. In November 2016, the Florida Department of Revenue (DOR) provided EDR with FY 2016-17 revenue estimates of \$3.24 million and \$496,762 for the Local Government Half-cent Sales Tax Program and Municipal Revenue Sharing Program, respectively, based on an estimated 2015 population of 22,254 and estimated taxable value of \$12,565,290,263. The combined total of the two DOR revenue estimates are approximately \$268,000 greater than the combined Year One revenues indicated in the Study. Since DOR administers these revenue sharing programs, EDR assumes these revenue estimates are reasonable.***
- 2. The Study (p. 16) outlines the expected municipal revenues originating from the county's local discretionary sales surtax levy. In November 2016, the DOR provided EDR with a FY 2016-17 revenue estimate of \$6.18 million, which is approximately \$960,000 greater than the Year One revenues indicated in the Study. Since DOR administers these revenue sharing programs, EDR assumes this revenue estimate is reasonable.***
- 3. The Study (pp. 13-14) states: "The test for qualifying for State Shared Revenues is an equivalent 3 mills for municipality seeking to receive a share of these state revenues. In 2015 the property owners in South Walton paid the following county millage for law enforcement services and two***

separate independent special district millages for fire control and rescue and mosquito control services.

Walton County Sheriff's Office	1.9482 mills
South Walton Fire District	0.9799 mills
South Walton County Mosquito Control District	0.1628 mills

The Study continues: "Together these millage rates add up to 3.0909 mills. This is above the 3 mill equivalency test defined in the statutes as a qualifying criterion for a municipality to receive the State Shared Revenue."

Section 218.23(1)(c), F.S., states that, in order to be eligible to participate in revenue sharing beyond the minimum entitlement in any fiscal year, a unit of local government is required to have:

Levied, as shown on its most recent financial report pursuant to s. 218.32, ad valorem taxes, exclusive of taxes levied for debt service or other special millages authorized by the voters, to produce the revenue equivalent to a millage rate of 3 mills on the dollar based on the 1973 taxable values as certified by the property appraiser pursuant to s. 193.122(2) or, in order to produce revenue equivalent to that which would otherwise be produced by such 3-mill ad valorem tax, to have received a remittance from the county pursuant to s. 125.01(6)(a), collected an occupational license tax or a utility tax, levied an ad valorem tax, or received revenue from any combination of these four sources. If a new municipality is incorporated, the provisions of this paragraph shall apply to the taxable values for the year of incorporation as certified by the property appraiser. This paragraph requires only a minimum amount of revenue to be raised from the ad valorem tax, the occupational license tax, and the utility tax. It does not require a minimum millage rate.

The Study further states that "... South Walton believes it should be allowed to use the aforementioned services to count toward the 3 mill equivalency test and receive its share of State Shared Revenues in all years after incorporation. The state legislature has previously provided for flexibility in calculating the 3 mill equivalency test."

EDR notes that the proposed municipality does not plan to levy an ad valorem tax, and the separate county and independent special district millages listed above do not qualify as alternative revenue sources (i.e., county remittance pursuant to s. 125.01(6)(a), F.S., an occupational license tax, a utility tax, or an ad valorem tax or any combination of these four sources) needed to produce revenue equivalent to a 3 mill ad valorem tax levy. Consequently, under current law, the proposed municipality would not qualify to participate in revenue sharing beyond the minimum entitlement. However, the proposed charter to create South Walton would waive the Section 218.23(1), F.S., requirements for participation in state revenue sharing through December 31, 2023. Furthermore, the proposed charter provides that the separate millages identified above as well as all other municipal revenue sources would be counted towards the 3 mill equivalency test.

- 4. The Study (p. 10) states: "The citizens could expand their revenue capacity very easily; however, due to the level of services the new community desires, such revenue streams as utility taxes,**

franchise fees, communications services taxes, and business tax receipt revenues typically seen in new local governments are not planned to be implemented during the first years of operation in this scenario. This is due to the fact that state shared revenues will more than provide for the operations of the community mostly concerned with growth management and code enforcement issues.” EDR notes that South Walton may not be eligible to receive a significant portion of those state revenue sharing proceeds without a waiver of the eligibility requirements.

5. *With the exception of the Charges for Services (Recoverable) revenue, which is not well explained and the total amount does not change over time, the Study (p. 16) assumes 1.5% annual growth for the other identified revenue sources. EDR reviewed the annual Local Government Half-cent Sales Tax (LHC) ordinary distributions and Municipal Revenue Sharing distributions to all Walton County municipalities (i.e., DeFuniak Springs, Freeport, and Paxton) and found that, in the ten-year period between 2006 and 2016 (which includes the period of the Great Recession), the Compound Annual Growth Rate (CAGR) of municipal LHC and MRS distributions were 4.4% and 2.1%, respectively. If a shorter, post-Great Recession timeframe (i.e., the four-year period of 2012 to 2016) was used instead, the CAGRs for LHC and MRS distributions were 10.8% and 6.3%, respectively. Therefore, the Study’s assumption of 1.5% annual LHC and MRS revenue growth appears to be reasonable, albeit conservative.*
6. *The Study (p. 16) assumes 1.5% and 2.0% annual growth for most South Walton revenues and expenditures, respectively. The Compound Annual Growth Rates for statewide municipal government revenues and expenditures between FY 2003-04 and 2013-14 were 3.1% and 2.8%, respectively, and might suggest that the Study’s assumption is reasonably conservative. However, it should be noted that annual rates of revenue and expenditure growth can vary significantly from one municipality to another due to a number of factors. Therefore, it is instructive to compare South Walton’s expected revenues and expenditures to the most recent revenues and expenditures of an identified cohort group of similarly-populated municipalities or newly incorporated municipalities (see discussion and tables in Additional Supplemental Material section to follow).*

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. 10-17) provides detailed explanations of the assumptions and methods used to project revenues and expenditures. The Study states that revenue and expenditure assumptions are reasonable, and the projections are conservative.

EDR has the following comments regarding this element.

1. ***The Study (pp. 10-11) explains the methodology used to calculate South Walton’s 2016 estimated population; however, no population projections for each year in the five-year operational plan are provided. EDR checked recent annual population estimates of unincorporated Walton County and found that, in the five-year period between 2011 and 2016, the county’s unincorporated population increased, on average, 2.5% annually. According to population projections prepared by the University of Florida’s Bureau of Economic and Business Research under contract with the Florida Legislature, Walton County’s population is projected to grow at an average annual rate of 2.7% between 2015 and 2025.***

- 2. As previously mentioned, the proposed incorporation's financial feasibility under the existing operational plan will depend on the Florida Legislature's authorization of a waiver of the Section 218.23(1), F.S., requirements for participation in state revenue sharing. In Year One of the Operational Plan (p.16), state revenue sharing monies constitute 40% of total projected revenues. Without the state revenue sharing monies, additional revenue sources would have to be utilized or expenses cut to achieve budget balance.**

Furthermore, the area's history of strong resident growth and seasonal population may produce a greater need for service expenditures (and therefore revenues) than has been accounting for in the operational plan. Without an identification of the population projections per year, it is impossible to assess this with any degree of confidence.

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 (pp. 17-18) includes a discussion of alternatives available to the area to address its policy concerns. The Study contends that continuing the present situation will not adequately address the concerns of the South Walton community. The Study states that the implementation of neighborhood plans for all areas of South Walton was considered; however, such plans would not address community-wide needs and opportunities or infrastructure investment needs.

Special planning district governance was also considered; however, the Study notes that such districts provide very limited or no authority over zoning and also cannot address infrastructure investment needs. Concern was also expressed about the lack of local control over appointments to a district's governing body, removal of appointees, and budget approval.

Finally, consideration was given to increasing South Walton's representation in county government. The Study notes that county commissioners are elected at large, so the impact of South Walton voters is limited. Additionally, the community has little impact on Redistricting Committee appointments and does not have any authority over a redistricting plan's approval. Furthermore, redistricting will not occur again until the year 2021 after the official census numbers are released.

EDR notes that an assessment of the validity and reasonableness of any alternatives to municipal incorporation are more appropriate to the arena of policy making and depends on the reviewer's support or opposition.

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 South Walton has satisfied each of these six standards is addressed below in Part Two of this letter.

Part Two: EDR's Evaluation of the 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*.

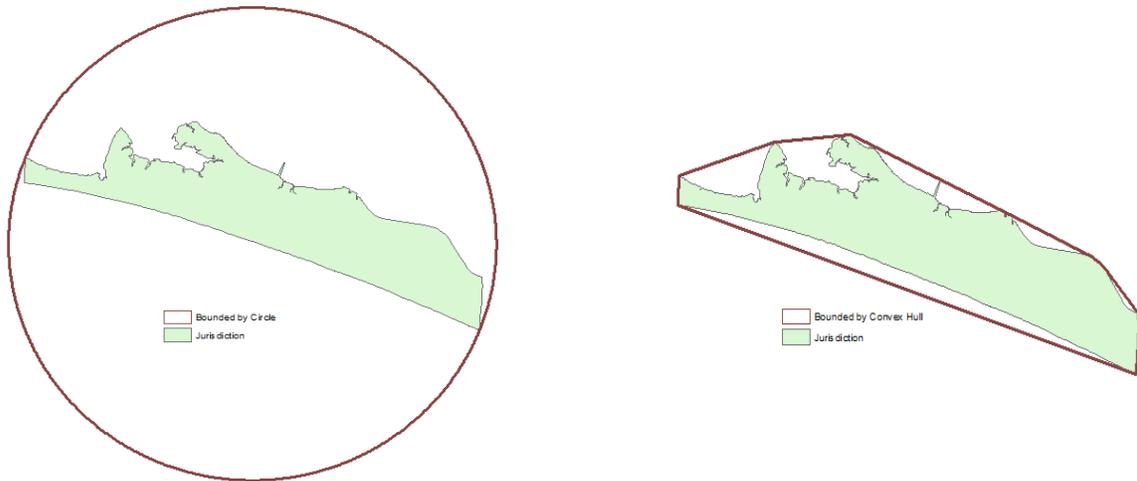
The Study (p. 18) states: "South Walton is compact and contiguous and amenable to a separate municipal government with its own unique geographic and economic personality. As shown on the map of the subject area (see Exhibit A, Page 4), South Walton is completely surrounded by county boundaries and water (Gulf of Mexico, Choctawhatchee Bay, and the Intercoastal Waterway Canal)."

For the purpose of analysis, EDR created a map that approximates the proposed boundaries of South Walton based on the Study's map and the Florida Department of Revenue's property tax records for Walton County. EDR's map representation of South Walton reflects a land area of 49,155 acres. This map was utilized in EDR's analysis of this Standard as well as Standards #2-4 to follow.

In the context of state legislative district boundaries, quantitative geometric measures of compactness have been used by the courts to assess compactness. In fact, there is commonly used redistricting software that includes tools designed to measure compactness, and the Florida House of Representatives has used two such measurements. First, the House has utilized the Reock method (i.e., 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. Second, the House has used the Area/Convex Hull method, which measures the ratio between the area of the district and the area of the smallest convex polygon that can enclose the district. The range of both measures is from 0 to 1, with a score of 1 representing the highest level of compactness.

The following maps reflect the application of these two measures of compactness to South Walton, which illustrate: 1) the smallest circle that can fit around the proposed municipal boundaries, in order to calculate the Reock score; and 2) the smallest convex polygon that can fit around the proposed municipal boundaries, in order to calculate the Area/Convex Hull score. For South Walton's proposed boundary, the Reock score is 0.16, while the Area/Convex Hull score is 0.71. As previously mentioned, the closer the score is to 1, the higher the level of compactness.

Proposed Jurisdiction with Circle and Convex Hull



When considering the issue of compactness, it may be useful to review the purposes of municipal formation. 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. In reviewing South Walton’s boundary map, the area does not have any enclaves, and it is bounded on the east and west by Bay and Okaloosa counties, respectively, and on the north and south by water. EDR’s review suggests that South Walton’s boundary appears to be contiguous and relatively compact.

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 persons 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, 2016) for Walton County is 62,943. Consequently, any new incorporation within the county would be required to have a minimum population of 1,500. The Study (p. 18) estimates the proposed municipal population at 23,685. EDR’s population estimates of the proposed incorporated area were based on 2010 Decennial Census and 2010-2014 American Community Survey (ACS) data. These population estimates were 18,450 and 20,308, respectively. ***Based on EDR’s review of these population data, South Walton has a current population well above the minimum population of 1,500 in a county with a total population of 75,000 or less. Therefore, the proposed municipality satisfies the minimum total population standard.***

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. 18-20) states: "The proposed geographic area of incorporation is 76.26 square miles (+/- 48,806 acres) of land. This produces a density of 0.49 persons per acre. South Walton does not meet the minimum density requirement of 1.5 persons per acre."

However, the Study suggests that South Walton has a number of extraordinary conditions that would support the establishment of a municipality with less existing density. These extraordinary conditions are summarized below.

1. First, the Study claims that 44% or 21,433 acres of the land area proposed for incorporation is in public ownership as state park or state forest lands. Based on developable lands (i.e., 27,373 acres), the population density would be 0.87 persons per acre (23,685 / 27,373). ***EDR notes that this density is still well below the minimum density requirement of 1.5 persons per acre.***
2. Second, since South Walton has historically been a vacation beachside community supported by tourism and seasonal activities, the Study claims the community has consciously chosen to manage growth.
3. Third, the Study claims the real average daily population of the area is significantly higher due to the fact that millions of visitors and part-time residents spend time in South Walton each year. The Study claims that a Spring 2016 report of the Walton County Tourist Development Council estimates that 3.2 million visitors come to South Walton annually.
4. Fourth, the Study claims the population densities of the other municipalities in Walton County (DeFuniak Springs, 0.82 persons per acre; Freeport, 0.30 persons per acre; and Paxton, 0.29 persons per acre) are also well below 1.5 persons per acre. ***EDR notes that each of these municipalities were incorporated years before the statutory standards of incorporation were enacted in 1974 (i.e., DeFuniak Springs, 1903; Freeport, 1963; and Paxton, 1952).***
5. Fifth, the Study claims South Walton is experiencing significant population and visitation growth, which is expected to continue in the future. Additionally, there is also a significant amount of developable land within the proposed area of incorporation, which provides a great deal of capacity for future increases in population.
6. The South Walton community has a unique identity and rich history and, as a destination community, it has a very different character from the existing Walton County municipalities of DeFuniak Springs, Freeport, and Paxton.

EDR's mapping of the proposed incorporation area was very close in square miles and acres of land (76.8 and 49,155, respectively) to the Study's figures. Using these estimates of land area in conjunction with the 2010-2014 ACS Census Block Group data produces a population density of 0.41 persons per acre. ***Based on the estimated number of permanent residents in South Walton, both the Study and EDR have concluded that the minimum population density requirement is not met.***

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. 20) states that an extraordinary natural boundary (i.e., Choctawhatchee Bay and the continuous waterway that connects Choctawhatchee Bay to West Bay in Bay County) requires a separate municipal government to oversee this area. EDR's review confirms that this extraordinary natural boundary lies on South Walton's northern boundary. Additionally, there are no existing Walton

County municipalities that are within two miles of the proposed area of incorporation. ***Therefore, the proposed municipality 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 proposed municipal charter was included with the Study materials received by EDR; however, the review of the proposed municipal charter for legal sufficiency is outside EDR's purview. The determination that this standard has been properly satisfied is better suited to the legal staffs of the Department of Economic Opportunity, Department of Revenue, and the House Local & Federal Affairs Committee.***

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. 21) states: "The proposed plan for incorporation of South Walton includes honoring existing solid-waste contracts affecting the area proposed for incorporation. South Walton will honor the existing solid-waste contract for five (5) years or the remainder of the existing contract term, whichever is less, as required by statute." ***Although the Study affirmatively states that the municipality will honor existing solid-waste contracts in the affected geographic area as required by law, EDR notes that similar language is not contained within the proposed charter.***

Conclusion

EDR has identified deficiencies with several of the Study's required elements, particularly Element #8 relating to evidence of fiscal capacity. As the Study (p. 12) states: "A fundamental position preferred by the community is that the incorporation should not increase the financial burden borne by the property owners, residents and local businesses." In light of this preference, EDR has concerns that positive budget outcomes would be impossible to achieve without a waiver of the Section 218.23(1), F.S., requirements for participation in state revenue sharing.

Furthermore, EDR suggests that South Walton does not satisfy one of the six standards for municipal incorporation (i.e., area proposed for incorporation must have an average population density of at least 1.5 persons per acre). However, EDR notes that the Florida Legislature could exercise its option to waive this standard in order for this incorporation proposal to proceed forward.

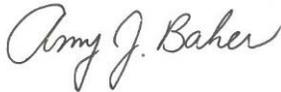
Additional Supplementary Material

In addition to its review of the Feasibility Study, EDR prepared a table which compares South Walton’s estimated FY 2017-18 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 2013-14 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 fiscal years, this comparison may be instructive in illustrating how South Walton’s first full fiscal year revenues and expenditures compare to existing cities having similar populations or to cities that were recently incorporated. On a per capita basis, South Walton’s proposed revenues and expenditures are significantly lower than those of all other comparison cities. This finding might be expected given South Walton’s limited scope of operations in the initial years. How long South Walton’s per capita revenues and expenditures remain that low will ultimately depend on the actions taken by future governing bodies.

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

Attachments

South Walton Incorporation Feasibility Study

Comparison of South Walton's Reported Revenues and Expenditures to Those of Other Similarly-Populated Municipalities

Municipality	Other Similarly-Populated Municipalities (Sorted by Population: High to Low)										
	Key West	Tarpon Springs	Palmetto Bay	Crestview	Sebastian	South Walton (Proposed)	Hialeah Gardens	Jacksonville Beach	Haines City	Palm Springs	Sunny Isles Beach
Respective County	Monroe	Pinellas	Miami-Dade	Okaloosa	Indian River	Walton	Miami-Dade	Duval	Polk	Palm Beach	Miami-Dade
2016 Population Estimate	25,009	24,637	23,962	23,762	23,732	23,685	23,332	23,288	23,252	22,458	22,063
2015 Population Estimate	24,663	24,421	23,843	23,460	23,137	-	23,004	22,805	22,660	22,282	21,592
2014 Population Estimate	24,620	24,220	23,767	23,209	22,622	-	22,571	22,136	21,956	20,887	21,698
Year of Incorporation	1828	1887	2002	1916	1924	2017	1948	1937	1914	1957	1997
Total Revenues by Category											
Taxes	\$ 25,568,132	\$ 13,676,803	\$ 10,890,720	\$ 8,853,874	\$ 9,359,274	\$ 5,219,691	\$ 7,802,626	\$ 19,612,792	\$ 9,874,031	\$ 5,832,334	\$ 23,647,654
Permits, Fees, and Special Assessments	\$ 4,762,646	\$ 3,071,777	\$ 3,129,358	\$ 2,285,506	\$ 2,110,371	\$ -	\$ 2,149,942	\$ 1,007,802	\$ 5,660,208	\$ 1,561,274	\$ 8,140,823
Intergovernmental Revenue	\$ 18,553,219	\$ 8,966,794	\$ 2,309,078	\$ 2,815,655	\$ 2,461,042	\$ 3,467,453	\$ 4,610,137	\$ 3,988,336	\$ 2,100,591	\$ 2,425,176	\$ 2,119,200
Charges for Services	\$ 54,346,229	\$ 23,334,730	\$ 585,905	\$ 9,265,039	\$ 2,678,554	\$ -	\$ 7,444,005	\$ 115,520,102	\$ 11,892,095	\$ 17,472,846	\$ 5,028,855
Judgments, Fines, and Forfeits	\$ 742,699	\$ 160,649	\$ 322,263	\$ 59,040	\$ 54,140	\$ -	\$ 38,098	\$ 305,076	\$ 1,089,990	\$ 357,134	\$ 414,493
Miscellaneous Revenues	\$ 26,519,764	\$ 10,500,211	\$ 533,118	\$ 6,493,900	\$ 2,797,667	\$ 5,000	\$ 2,138,728	\$ 12,759,917	\$ 6,377,523	\$ 6,904,546	\$ 2,215,720
Other Sources	\$ 12,469,649	\$ 1,638,025	\$ 1,480,000	\$ 201,005	\$ 3,983,136	\$ -	\$ 5,035,910	\$ 9,763,909	\$ 6,804,607	\$ 3,139,734	\$ 3,893,689
Total - All Revenue Accounts	\$ 142,962,338	\$ 61,348,989	\$ 19,250,442	\$ 29,974,019	\$ 23,444,184	\$ 8,692,144	\$ 29,219,446	\$ 162,957,934	\$ 43,799,045	\$ 37,693,044	\$ 45,460,434
Per Capita Revenues by Category											
Taxes	\$ 1,039	\$ 565	\$ 458	\$ 381	\$ 414	\$ 212	\$ 346	\$ 886	\$ 450	\$ 279	\$ 1,090
Permits, Fees, and Special Assessments	\$ 193	\$ 127	\$ 132	\$ 98	\$ 93	\$ -	\$ 95	\$ 46	\$ 258	\$ 75	\$ 375
Intergovernmental Revenue	\$ 754	\$ 370	\$ 97	\$ 121	\$ 109	\$ 141	\$ 204	\$ 180	\$ 96	\$ 116	\$ 98
Charges for Services	\$ 2,207	\$ 963	\$ 25	\$ 399	\$ 118	\$ -	\$ 330	\$ 5,219	\$ 542	\$ 837	\$ 232
Judgments, Fines, and Forfeits	\$ 30	\$ 7	\$ 14	\$ 3	\$ 2	\$ -	\$ 2	\$ 14	\$ 50	\$ 17	\$ 19
Miscellaneous Revenues	\$ 1,077	\$ 434	\$ 22	\$ 280	\$ 124	\$ 0	\$ 95	\$ 576	\$ 290	\$ 331	\$ 102
Other Sources	\$ 506	\$ 68	\$ 62	\$ 9	\$ 176	\$ -	\$ 223	\$ 441	\$ 310	\$ 150	\$ 179
Total - All Revenue Accounts	\$ 5,807	\$ 2,533	\$ 810	\$ 1,291	\$ 1,036	\$ 353	\$ 1,295	\$ 7,362	\$ 1,995	\$ 1,805	\$ 2,095
Total Expenditures by Category											
General Government Services	\$ 37,900,300	\$ 6,079,998	\$ 4,104,236	\$ 8,181,870	\$ 5,936,174	\$ 2,251,750	\$ 11,430,930	\$ 12,897,262	\$ 9,730,557	\$ 4,630,178	\$ 12,555,301
Public Safety	\$ 23,603,182	\$ 15,696,787	\$ 7,468,804	\$ 7,595,236	\$ 5,355,652	\$ -	\$ 4,862,728	\$ 12,279,150	\$ 8,553,823	\$ 7,691,910	\$ 10,573,326
Physical Environment	\$ 20,815,286	\$ 16,520,034	\$ 702,038	\$ 6,260,554	\$ 1,627,482	\$ 5,185,000	\$ 5,223,009	\$ 94,698,545	\$ 8,296,953	\$ 12,951,964	\$ 3,467,151
Transportation	\$ 9,169,574	\$ 2,150,229	\$ 1,290,779	\$ 1,284,869	\$ 2,758,953	\$ -	\$ 6,923,110	\$ 3,501,381	\$ 1,706,121	\$ 1,212,735	\$ 2,292,190
Economic Environment	\$ 15,683,984	\$ 314,434	\$ 212,327	\$ -	\$ 146,993	\$ -	\$ 122,545	\$ 6,904	\$ 22,762	\$ -	\$ -
Human Services	\$ 467,197	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 460,394	\$ 108,158	\$ -	\$ -	\$ -
Culture / Recreation	\$ 7,544,476	\$ 5,548,302	\$ 2,309,574	\$ 995,666	\$ 2,447,400	\$ 775,000	\$ 1,742,127	\$ 3,778,735	\$ 3,151,438	\$ 1,865,755	\$ 16,114,658
Other Uses and Non-Operating	\$ 10,469,649	\$ 2,355,161	\$ 1,480,000	\$ 201,005	\$ 3,983,136	\$ -	\$ 241,022	\$ 17,181,196	\$ 6,326,611	\$ 1,876,539	\$ 3,893,689
Total - All Expenditure Accounts	\$ 125,653,648	\$ 48,664,945	\$ 17,567,758	\$ 24,519,200	\$ 22,255,790	\$ 8,211,750	\$ 31,005,865	\$ 144,451,331	\$ 37,788,265	\$ 30,229,081	\$ 48,896,315
Per Capita Expenditures by Category											
General Government Services	\$ 1,539	\$ 251	\$ 173	\$ 353	\$ 262	\$ 91	\$ 506	\$ 583	\$ 443	\$ 222	\$ 579
Public Safety	\$ 959	\$ 648	\$ 314	\$ 327	\$ 237	\$ -	\$ 215	\$ 555	\$ 390	\$ 368	\$ 487
Physical Environment	\$ 845	\$ 682	\$ 30	\$ 270	\$ 72	\$ 210	\$ 231	\$ 4,278	\$ 378	\$ 620	\$ 160
Transportation	\$ 372	\$ 89	\$ 54	\$ 55	\$ 122	\$ -	\$ 307	\$ 158	\$ 78	\$ 58	\$ 106
Economic Environment	\$ 637	\$ 13	\$ 9	\$ -	\$ 6	\$ -	\$ 5	\$ 0	\$ 1	\$ -	\$ -
Human Services	\$ 19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20	\$ 5	\$ -	\$ -	\$ -
Culture / Recreation	\$ 306	\$ 229	\$ 97	\$ 43	\$ 108	\$ 31	\$ 77	\$ 171	\$ 144	\$ 89	\$ 743
Other Uses and Non-Operating	\$ 425	\$ 97	\$ 62	\$ 9	\$ 176	\$ -	\$ 11	\$ 776	\$ 288	\$ 90	\$ 179
Total - All Expenditure Accounts	\$ 5,104	\$ 2,009	\$ 739	\$ 1,056	\$ 984	\$ 333	\$ 1,374	\$ 6,526	\$ 1,721	\$ 1,447	\$ 2,253

South Walton Incorporation Feasibility Study

Comparison of South Walton's Reported Revenues and Expenditures to Those of Other Similarly-Populated Municipalities

Notes:

- 1) The revenues and expenditures of the comparison municipalities are obtained from Annual Financial Reports (AFR) for the local fiscal year ended 2014 (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 2014 population estimate since it corresponds to the AFR fiscal year data.
- 2) This analysis uses South Walton's proposed Year One (i.e., LFY 2017-18) revenues and expenditures, which are summarized in the Feasibility Study's Five-Year Operational Plan (p. 16). The calculations of per capita revenues and expenditures are made using an estimated 2018 population of 24,642, which is the Study's 2016 population estimate of 23,685 increased by 2% annually.
- 3) The South Walton Taxes amount reflects the Local Discretionary Sales Surtax, \$5,219,691. The South Walton Intergovernmental Revenues amount is the sum total of the following state-shared revenues: Local Government Half-Cent Sales Tax Program, \$2,923,905; and Municipal Revenue Sharing, \$543,548. The South Walton Miscellaneous Revenues reflects interest income and other fees of \$5,000.
- 4) The South Walton expenditures reflect the sum total of the following category totals: General Government Services, \$2,251,750; Physical Environment, \$5,185,000; and Culture / Recreation, \$775,000. In the Operational Plan, an Infrastructure Improvements amount of \$1,550,000 was listed as an expense, and the Study indicates these funds would be used to augment Public Works and Parks and Recreation maintenance and improvements. For purposes of this table, 50% of the Infrastructure Improvements total (i.e., \$775,000) was allocated to both the Physical Environment and Culture / Recreation categories to reflect these extended uses. The Plan's Garbage / Solid Waste and Landfill amount of \$4,410,000 was allocated to the Physical Environment category. All remaining expenses totaling \$2,251,750 were allocated to the General Government Services category.

2017 Municipal Incorporation Proposals: Hobe Sound, Indiantown, and South Walton

Comparison of Proposed Incorporations' Revenues and Expenditures to Those of Municipalities Incorporated Since 2000

Municipality	Miami Lakes	Southwest Ranches	Palmetto Bay	Doral	Miami Gardens	Cutler Bay	West Park	Grant-Valkaria	Loxahatchee Groves	Estero	Westlake	Hobe Sound (Proposed)	Indiantown (Proposed)	South Walton (Proposed)
Respective County	Miami-Dade	Broward	Miami-Dade	Miami-Dade	Miami-Dade	Miami-Dade	Broward	Brevard	Palm Beach	Lee	Palm Beach	Martin	Martin	Walton
2016 Population Estimate	30,456	7,572	23,962	59,304	111,998	44,901	14,768	4,073	3,271	30,565	-	15,362	5,457	23,685
2015 Population Estimate	30,209	7,389	23,843	55,660	109,951	44,109	14,499	3,949	3,203	30,118	-	-	-	-
2014 Population Estimate	30,161	7,339	23,767	52,889	108,160	42,944	14,317	3,916	3,183	-	-	-	-	-
Year of Incorporation	2000	2000	2002	2003	2003	2005	2005	2006	2006	2014	2016	2017	2017	2017
Total Revenues by Category														
Taxes	\$ 11,408,822	\$ 5,551,241	\$ 10,890,720	\$ 37,876,147	\$ 39,279,980	\$ 9,495,988	\$ 4,775,679	\$ 486,049	\$ 929,224	No data	No data	\$ 3,310,109	\$ 6,177,302	\$ 5,219,691
Permits, Fees, and Special Assessments	\$ 2,488,759	\$ 4,045,740	\$ 3,129,358	\$ 13,944,499	\$ 6,831,823	\$ 2,939,207	\$ 4,630,200	\$ 257,252	\$ 248,103	No data	No data	\$ 1,298,128	\$ 501,086	\$ -
Intergovernmental Revenue	\$ 4,071,818	\$ 768,283	\$ 2,309,078	\$ 5,858,862	\$ 16,632,644	\$ 10,136,097	\$ 3,276,294	\$ 272,331	\$ 367,211	No data	No data	\$ 1,885,751	\$ 701,785	\$ 3,467,453
Charges for Services	\$ 924,738	\$ 158,693	\$ 585,905	\$ 1,723,706	\$ 10,868,200	\$ 1,277,655	\$ 1,014,963	\$ 555,530	\$ 424,965	No data	No data	\$ -	\$ -	\$ -
Judgments, Fines, and Forfeits	\$ 260,566	\$ 488,424	\$ 322,263	\$ 985,621	\$ 4,363,067	\$ 524,177	\$ 378,325	\$ 205	\$ 9,647	No data	No data	\$ -	\$ -	\$ -
Miscellaneous Revenues	\$ 948,111	\$ 183,018	\$ 533,118	\$ 1,606,574	\$ 3,284,933	\$ 696,177	\$ 53,560	\$ 11,993	\$ 3,149	No data	No data	\$ 25,000	\$ 25,000	\$ 5,000
Other Sources	\$ 2,750,506	\$ 1,575,736	\$ 1,480,000	\$ -	\$ 81,663,689	\$ 1,366,546	\$ -	\$ -	\$ 55,070	No data	No data	\$ -	\$ -	\$ -
Total - All Revenue Accounts	\$ 22,853,320	\$ 12,771,135	\$ 19,250,442	\$ 61,995,409	\$ 162,924,336	\$ 26,435,847	\$ 14,129,021	\$ 1,583,360	\$ 2,037,369	No data	No data	\$ 6,518,988	\$ 7,405,173	\$ 8,692,144
Per Capita Revenues by Category														
Taxes	\$ 378	\$ 756	\$ 458	\$ 716	\$ 363	\$ 221	\$ 334	\$ 124	\$ 292	No data	No data	\$ 203	\$ 1,067	\$ 212
Permits, Fees, and Special Assessments	\$ 83	\$ 551	\$ 132	\$ 264	\$ 63	\$ 68	\$ 323	\$ 66	\$ 78	No data	No data	\$ 80	\$ 87	\$ -
Intergovernmental Revenue	\$ 135	\$ 105	\$ 97	\$ 111	\$ 154	\$ 236	\$ 229	\$ 70	\$ 115	No data	No data	\$ 116	\$ 121	\$ 141
Charges for Services	\$ 31	\$ 22	\$ 25	\$ 33	\$ 100	\$ 30	\$ 71	\$ 142	\$ 134	No data	No data	\$ -	\$ -	\$ -
Judgments, Fines, and Forfeits	\$ 9	\$ 67	\$ 14	\$ 19	\$ 40	\$ 12	\$ 26	\$ 0	\$ 3	No data	No data	\$ -	\$ -	\$ -
Miscellaneous Revenues	\$ 31	\$ 25	\$ 22	\$ 30	\$ 30	\$ 16	\$ 4	\$ 3	\$ 1	No data	No data	\$ 2	\$ 4	\$ 0
Other Sources	\$ 91	\$ 215	\$ 62	\$ -	\$ 755	\$ 32	\$ -	\$ -	\$ 17	No data	No data	\$ -	\$ -	\$ -
Total - All Revenue Accounts	\$ 758	\$ 1,740	\$ 810	\$ 1,172	\$ 1,506	\$ 616	\$ 987	\$ 404	\$ 640	No data	No data	\$ 400	\$ 1,279	\$ 353
Total Expenditures by Category														
General Government Services	\$ 6,925,131	\$ 2,905,056	\$ 4,104,236	\$ 10,178,358	\$ 42,318,007	\$ 13,094,582	\$ 2,002,878	\$ 925,444	\$ 675,104	No data	No data	\$ 1,426,890	\$ 1,445,821	\$ 2,251,750
Public Safety	\$ 6,477,223	\$ 6,014,233	\$ 7,468,804	\$ 17,741,090	\$ 36,005,959	\$ 8,030,573	\$ 6,889,005	\$ 11,612	\$ 280,515	No data	No data	\$ 3,515,120	\$ 1,654,450	\$ -
Physical Environment	\$ 1,742,235	\$ 790,588	\$ 702,038	\$ -	\$ 2,369,592	\$ -	\$ 1,800,543	\$ 400,423	\$ 422,140	No data	No data	\$ 499,240	\$ 185,793	\$ 5,185,000
Transportation	\$ 3,334,515	\$ 306,783	\$ 1,290,779	\$ 9,283,916	\$ 5,973,796	\$ -	\$ 2,587,132	\$ 599,262	\$ 405,898	No data	No data	\$ 587,097	\$ 218,490	\$ -
Economic Environment	\$ -	\$ -	\$ 212,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	No data	No data	\$ -	\$ -	\$ -
Human Services	\$ -	\$ -	\$ -	\$ -	\$ 28,555	\$ -	\$ -	\$ -	\$ -	No data	No data	\$ -	\$ -	\$ -
Culture / Recreation	\$ 2,531,056	\$ 654,473	\$ 2,309,574	\$ 3,918,789	\$ 5,857,059	\$ 1,972,813	\$ 891,121	\$ 8,548	\$ -	No data	No data	\$ 296,156	\$ 110,200	\$ 775,000
Other Uses and Non-Operating	\$ 1,768,223	\$ 1,557,874	\$ 1,480,000	\$ -	\$ 15,479,624	\$ 1,366,546	\$ -	\$ -	\$ 55,070	No data	No data	\$ -	\$ -	\$ -
Total - All Expenditure Accounts	\$ 22,778,383	\$ 12,229,007	\$ 17,567,758	\$ 41,122,153	\$ 108,032,592	\$ 24,464,514	\$ 14,170,679	\$ 1,945,289	\$ 1,838,727	No data	No data	\$ 6,324,503	\$ 3,614,754	\$ 8,211,750
Per Capita Expenditures by Category														
General Government Services	\$ 230	\$ 396	\$ 173	\$ 192	\$ 391	\$ 305	\$ 140	\$ 236	\$ 212	No data	No data	\$ 88	\$ 250	\$ 91
Public Safety	\$ 215	\$ 819	\$ 314	\$ 335	\$ 333	\$ 187	\$ 481	\$ 3	\$ 88	No data	No data	\$ 216	\$ 286	\$ -
Physical Environment	\$ 58	\$ 108	\$ 30	\$ -	\$ 22	\$ -	\$ 126	\$ 102	\$ 133	No data	No data	\$ 31	\$ 32	\$ 210
Transportation	\$ 111	\$ 42	\$ 54	\$ 176	\$ 55	\$ -	\$ 181	\$ 153	\$ 128	No data	No data	\$ 36	\$ 38	\$ -
Economic Environment	\$ -	\$ -	\$ 9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	No data	No data	\$ -	\$ -	\$ -
Human Services	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ -	\$ -	\$ -	\$ -	No data	No data	\$ -	\$ -	\$ -
Culture / Recreation	\$ 84	\$ 89	\$ 97	\$ 74	\$ 54	\$ 46	\$ 62	\$ 2	\$ -	No data	No data	\$ 18	\$ 19	\$ 31
Other Uses and Non-Operating	\$ 59	\$ 212	\$ 62	\$ -	\$ 143	\$ 32	\$ -	\$ -	\$ 17	No data	No data	\$ -	\$ -	\$ -
Total - All Expenditure Accounts	\$ 755	\$ 1,666	\$ 739	\$ 778	\$ 999	\$ 570	\$ 990	\$ 497	\$ 578	No data	No data	\$ 388	\$ 624	\$ 333

2017 Municipal Incorporation Proposals: Hobe Sound, Indiantown, and South Walton

Comparison of Proposed Incorporations' Revenues and Expenditures to Those of Municipalities Incorporated Since 2000

Notes:

- 1) The revenues and expenditures of the comparison municipalities are obtained from Annual Financial Reports (AFR) for the local fiscal year ended 2014 (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 2014 population estimate since it corresponds to the AFR fiscal year data. There are no available AFR revenues and expenditures data for the municipalities of Estero and Westlake due to their more recent dates of incorporation.
- 2) This analysis uses Hobe Sound's proposed first full fiscal year (i.e., LFY 2018-19) revenues and expenditures, which are summarized in the Feasibility Study (p. 38). The calculations of per capita revenues and expenditures are made using an estimated 2019 population of 16,302, which is the Study's 2016 population estimate of 15,362 increased by 2% annually. This 2% annual growth in Hobe Sound's population is the increase assumed in the Study (p. 35).
- 3) Hobe Sound's Taxes revenue amount is the sum total of the Ad Valorem Tax, \$3,037,847; Local Business Tax, \$25,000, and a Local Communication Services Tax allocation, \$247,262. The Permits, Fees, and Special Assessments amount reflects a Franchise Fee allocation, \$1,298,128. The Intergovernmental Revenues amount is the sum total of the following state revenue sharing figures: Local Government Half-Cent Sales Tax Program, \$1,572,226; and Municipal Revenue Sharing, \$313,525. The Miscellaneous Revenues figure reflects Interest Earnings, \$25,000. With the exception of Local Business Tax and Interest Earnings, these figures reflect the 2017-18 amounts increased by the 3% growth assumption reflected in the Study (p. 35).
- 4) Hobe Sound's expenditures are the sum total of the following category totals: General Government (i.e., Hobe Sound Local Government), \$1,426,890; Public Safety (i.e., Fire Interlocal with County), \$3,515,120; Physical Environment (i.e., Stormwater Interlocal with County), \$499,240; Transportation (i.e., Roads Interlocal with County), \$587,097; and Culture / Recreation (i.e., Parks and Rec Interlocal with County), \$296,156. These figures are listed in the Study (p. 38).
- 5) This analysis uses Indiantown's proposed first full fiscal year (i.e., LFY 2018-19) revenues and expenditures, which are summarized in the Feasibility Study (p. 38). The calculations of per capita revenues and expenditures are made using an estimated 2019 population of 5,791, which is the Study's 2016 population estimate of 5,457 increased by 2% annually. This 2% annual growth in Indiantown's population is the increase assumed in the Study (p. 35).
- 6) Indiantown's Taxes revenue amount is the sum total of the Ad Valorem Tax, \$6,056,857; and Local Business Tax, \$25,000, and a Local Communication Services Tax allocation, \$95,445. The Permits, Fees, and Special Assessments amount reflects a Franchise Fee allocation, \$1,298,128. The Intergovernmental Revenues amount is the sum total of the following state revenue sharing figures: Local Government Half-Cent Sales Tax Program, \$1,572,226; and Municipal Revenue Sharing, \$313,525. The Miscellaneous Revenues figure reflects Interest Earnings, \$25,000. With the exception of Local Business Tax and Interest Earnings, these figures reflect the 2017-18 amounts increased by the 3% growth assumption reflected in the Study (pp. 35-36).
- 7) Indiantown's expenditures are the sum total of the following category totals: General Government (i.e., Indiantown Local Government and Bridge Loan), \$1,445,821; Public Safety (i.e., Fire Interlocal with County), \$1,654,450; Physical Environment (i.e., Stormwater Interlocal with County), \$185,793; Transportation (i.e., Roads Interlocal with County), \$218,490; and Culture / Recreation (i.e., Parks and Rec Interlocal with County), \$110,200. These figures are listed in the Study (p. 38).
- 8) This analysis uses South Walton's proposed Year One (i.e., LFY 2017-18) revenues and expenditures, which are summarized in the Feasibility Study's Five-Year Operational Plan (p. 16). The calculations of per capita revenues and expenditures are made using an estimated 2018 population of 24,642, which is the Study's 2016 population estimate of 23,685 increased by 2% annually.
- 9) The South Walton Taxes amount reflects the Local Discretionary Sales Surtax, \$5,219,691. The South Walton Intergovernmental Revenues amount is the sum total of the following state-shared revenues: Local Government Half-Cent Sales Tax Program, \$2,923,905; and Municipal Revenue Sharing, \$543,548. The South Walton Miscellaneous Revenues reflects interest income and other fees of \$5,000.
- 10) The South Walton expenditures reflect the sum total of the following category totals: General Government Services, \$2,251,750; Physical Environment, \$5,185,000; and Culture / Recreation, \$775,000. In the Operational Plan, an Infrastructure Improvements amount of \$1,550,000 was listed as an expense, and the Study indicates these funds would be used to augment Public Works and Parks and Recreation maintenance and improvements. For purposes of this table, 50% of the Infrastructure Improvements total (i.e., \$775,000) was allocated to both the Physical Environment and Culture / Recreation categories to reflect these extended uses. The Plan's Garbage / Solid Waste and Landfill amount of \$4,410,000 was allocated to the Physical Environment category. All remaining expenses totaling \$2,251,750 were allocated to the General Government Services category.