February 2, 2015

Kerrington Kiner, Staff Director
Florida House of Representatives
Local & Federal Affairs Committee
317 House Office Building
402 South Monroe Street
Tallahassee, FL 32399-1300

Mr. Kiner:

At the Committee’s request, the Office of Economic and Demographic Research (EDR) evaluated the City of Panacea Incorporation Feasibility Study 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. This is the second consecutive year that EDR has reviewed this proposed incorporation. Using the data and information submitted in the original Study dated December 3, 2012 and revised August 3, 2013, EDR concluded last year that the proposed expenses and revenues seemed reasonable, but that the proposed municipality violated two of the statutory standards of incorporation (i.e., minimum total population and minimum population density).

Recently, EDR completed its review of the revised August 2014 Study, and this response consists of two parts. Part One is EDR’s evaluation with respect to the elements for 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 11 elements.

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 (pp. 6-7) describes the location of the territory subject to boundary change and provides a general description of the proposed boundaries. A more detailed legal description of the proposed municipal boundaries and related maps are provided in Appendix B. The general and legal descriptions of the proposed boundaries appear to be satisfactory.

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

   Staff Analysis: The Study (pp. 7-10) provides a discussion of the major reasons for the proposed boundary change. 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.

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. 10-12) provides discussions for each of these points. 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.

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. 12) provides a listing of public agencies, including the Wakulla County Board of County Commissioners (BOCC) and various county departments that provide services within the proposed boundaries of Panacea; county constitutional officers; school district; water management district; regional planning council; planning agencies; and, other state agencies. The list seems complete; however, EDR staff did not attempt to independently verify each and every public agency operating within the proposed area of incorporation.

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. 12-17) provides a list of current services being provided within the proposed area of incorporation and attempts to provide estimated costs for those services. The Study states that several current services (i.e., Emergency Medical Services, Fire/Rescue Services, Solid Waste, Transportation, and Wastewater) will continue to be provided by the Wakulla County Government or the Wakulla County Sheriff’s Office (i.e., Law Enforcement Services) or the Panacea Area Water System, Inc., (i.e., Potable Water) at no additional cost to the proposed City of Panacea or its residents. Furthermore, the Study states that Parks and Recreation Services and Planning and Development Services, both of which are currently provided by county government, will be assumed by the proposed municipality. The Study (p. 12) states that the estimated cost of services are derived by taking the cost of services presently being provided and apportioning those costs on a per capita basis to prospective residents of the proposed municipality. For each of the services, the Study provides historical countywide cost figures and Panacea’s anticipated proportional cost share.

There are shortcomings with the cost data and cost apportionment methodology. First, the Study relies on historical countywide cost data that are now outdated by several years and were not updated. In fact, most, if not all, of the historical countywide cost data included in this Revised August 2014 Study are the same as those submitted to the Legislature last year in a Study dated December 3,
2012, and subsequently revised August 3, 2013. Although the Study indicates that the majority of these services will continue to be provided by the county government at no additional cost to the proposed City of Panacea government or its residents, the incorporation proponents and/or Study authors are required to provide the Legislature with the latest available data in order to give the best indications of the true costs of municipal incorporation. The current Study (pp. 13-16) also cites the Wakulla County Five-Year Plan for FY 2013-2017, which was published in 2012. More current cost data does exist. At its final public hearing on September 22, 2014, the Wakulla County BOCC approved its FY 2014-15 final budget and five-year plan for FY 2015-16 through 2019-20. This document is available online from Wakulla County Government website via the following link.


Second, there is no evidence that county government will continue to provide these services to the future residents of Panacea following municipal incorporation. Although the Study (p. 2) states that Wakulla County supports the proposed incorporation (which is assumed to mean the Board of County Commissioners), it does not include any letters of intent or memorandums of understanding from the Wakulla County Board of County Commissioners or Wakulla County Sheriff regarding the continuation of services.

Third, the Study does not state the specific countywide and Panacea populations used to calculate the relevant apportionment factor. For each of the current services, no explanation of how Panacea’s proportional cost share was derived is included. Without having the current year or latest available fiscal year estimates of countywide costs of current services and knowing the apportionment factor used to calculate Panacea’s proportional share of countywide costs, the validity of the Study’s cost figures presented in this element cannot be substantiated. The incorporation proponents and/or the Study’s authors should consider correcting these deficiencies.

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. 17-22) lists proposed services to be provided within the proposed area of incorporation and attempts to provide estimated costs for those services. The Study states that the proposed municipality will assume Parks and Recreation Services and Planning and Development Services from Wakulla County Government. Additionally, the proposed municipality plans to fund the following needs and/or services: City Hall and General Operations, Elections, Equipment Leases/Purchases, Legal Services, and Management Services.

The same shortcomings cited in the previous element are applicable to the descriptions of several of the proposed services. With respect to Parks and Recreation Services and Planning and Development Services, the Study relies on historical countywide cost data that are outdated by several years and were not updated. For other proposed services, such as Elections, Legal Services, and Managerial Services, historical cost data of only three comparable cities (i.e., Apalachicola, Cedar Key, and Crystal River) were used. The cost data for these comparable cities, which serve as the basis for developing Panacea’s base-year per capita costs, were not updated.

Additionally, the Study does not provide the specific population figures of comparable cities used to calculate average per capita costs of services. For several of the proposed services, no explanation of how Panacea’s estimated cost was derived is provided. Therefore, the validity of the Study’s cost
figures presented in this element cannot be substantiated. The incorporation proponents and/or the Study’s authors should consider correcting these deficiencies.

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.23) provides the names and addresses of three individuals. EDR staff did not attempt to contact these individuals.

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. 23-30) discusses the proposed municipality’s fiscal capacity and cites eight sources of revenue (i.e., Ad Valorem Tax, Communications Services Tax, Franchise Fees, Local Business Tax, Local Government Half-cent Sales Tax, Municipal Revenue Sharing, Planning and Development Fees, and Public Services Tax) to be utilized by the proposed municipality during its initial five years of operations. Several of these revenue sources (i.e., Ad Valorem Tax, Communications Services Tax, Local Government Half-cent Sales Tax, and Municipal Revenue Sharing) are administered by the Department of Revenue (DOR). Consequently, the DOR is best suited to comment on the validity of the revenue figures from these sources. However, it appears that the latest available data were not used to generate some or all of these estimates. In fact, most of the historical revenue data included in this Revised August 2014 Study are the same as those submitted to the Legislature last year in a Study dated December 3, 2012, and subsequently revised August 3, 2013.

There are several examples of the use of outdated data. The discussion of the Local Government Half-cent Sales Tax revenues cites a July 2013 DOR memorandum. Communications Services Tax revenues are extrapolated from August through October 2012 distributions. Public service tax revenues are extrapolated from January through September 2012 distributions. Franchise fee revenues are extrapolated from revenues reported by comparable cities in fiscal year 2011 or 2012. Planning and development fees are extrapolated from Wakuilla County’s FY 2012 budget figures.

The Study (p. 2) also states that one of the important conclusions is that “the overarching catalyst for Panacea residents seeking formal municipal incorporation is to more directly influence and increase local authority over the future economic growth and community viability of Panacea, including waterfront and other small business development, expansion of tourism-based industries, significant infrastructure and other capital improvements, and community beautification efforts.” Funding for these community goals does not seem to be reflected in the five-year operational plan. An indication of which goals the community will attempt to achieve within the first five years and the associated expenses would help alleviate this concern. Further, an indication of the additional revenues that would be imposed and collected to pay for these expenses is necessary, if they are included in the operational plan. Absent answers to these questions, the validity of the revenue and expense figures presented in this element cannot be substantiated. The incorporation proponents and/or the Study’s authors should consider correcting these deficiencies.
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. 30-31) 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 (p. 31) provides annual calculations of total population and population density for the period of 2010 through 2020. The data and methodology used to calculate total population and population density seem reasonable. However, given the Study’s shortcomings with respect to the calculation of revenues and expenses previously discussed, the validity of the revenue and expense figures included in the five-year detail, as well as the balance sheet, may be questionable.

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

Staff Analysis: According to the Study (pp. 31-32), the residents of Panacea do not seek municipal incorporation in order to change how municipal services are provided but rather to more directly influence future economic and community development. The Study acknowledges two alternatives to incorporation: (1) continuing to rely on Wakulla County Government to address local issues, and (2) continuing the use of community organizations to affect changes on local issues. Incorporation proponents believe that local control of Panacea’s future planning and growth management, ordinance adoption, and taxation can best be achieved by municipal incorporation. 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.

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. Although EDR’s analysis of whether the proposed City of Panacea satisfies each of these six standards is addressed in more detail in Part Two of this memorandum, it should be noted here that the proposed municipality only satisfies four of the six standards and fails to satisfy the two standards regarding minimum total population and minimum population density.

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.

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, this dictionary defines contiguous, in part, to mean touching or connected throughout in an unbroken sequence. The Study (p. 32) provides reasons why this standard is satisfied by the proposed municipal incorporation. In addition, a legal description of the boundaries of the proposed City of Panacea and related maps are provided in the Study’s Appendix.
B. Based on our review of the Study’s discussions, legal description of the proposed boundaries, and related maps, the proposed City of Panacea appears to be compact and contiguous and amenable to separate municipal government.

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 (i.e., April 1, 2014) for Wakulla County is 31,285. Because the county’s current population is less than 75,000, any new incorporation within Wakulla County would be required to have a minimum population of 1,500. Our analysis of census data for the blocks contained within the geographical boundaries of the proposed City of Panacea indicates a total population less than 1,000. Additionally, the Study projects a 2014 municipal population of 852 (see Table 4, p. 31). Based on these data, the proposed City of Panacea has a current population below the minimum population of 1,500 in a county with a total population of 75,000 or less. Therefore, the proposed municipality does not satisfy the minimum total population standard. The Study (p. 33) acknowledges the fact that the proposed municipality does not meet this minimum total population 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 (p. 6) states that the proposed municipality encompasses a land area of 2,252 acres. Based on a 2014 municipal population estimate of 852, the population density based on this land area is 0.38 persons per acre (i.e., 852 / 2,252). Based on these data, the proposed City of Panacea has a current population density below the minimum requirement 1.5 persons per acre. Therefore, the proposed municipality does not satisfy the minimum population density standard. The Study (p. 34) acknowledges the fact that the proposed municipality does not meet this minimum population density standard and provides further explanations of why the community believes incorporation is justified with less existing density.

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. 6) states that the proposed City of Panacea is located along Dickerson Bay in Wakulla County. According to the Study, the proposed community is surrounded by the St. Marks National Wildlife Refuge to the north and west, Dickerson Bay to the east, and marshes to the south. Although these might be considered natural boundaries, it is not clear if all are extraordinary enough to require separate municipal government. The Study (p.35) also notes that the only two incorporated municipalities in Wakulla County are St. Marks, which is located approximately 19 miles northeast of Panacea’s proposed northern boundary, and Sopchoppy, which is located approximately nine miles northwest of the Panacea’s proposed northern boundary. Our review suggests that the straight-line distances between the proposed City of Panacea and the existing municipalities of St. Marks and
Sopchopy are each greater than two miles. Therefore, the proposed municipality satisfies the minimum distance 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 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.

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. 35) states that the plan for municipal incorporation honors existing solid waste contracts. Since the Study acknowledges the existing solid waste contracts and states that such contracts will be honored, it appears that this standard is satisfied.

Conclusion
It appears that much of the base year revenue and expenditure data reflected in the five-year revenue and expense detail tables were restated from the prior version of this Feasibility Study and have not been updated in the current Study. This means the validity of many of the revenue and expense figures cited in the Study, as well as the fiscal viability of the five-year operational plan, cannot be substantiated.

Additionally, the proposed municipality does not satisfy two of the six standards for municipal incorporation (i.e., minimum total population and minimum population density) specified in Section 165.061(1), F.S. In order for the City of Panacea to incorporate, the Florida Legislature would need to waive these two incorporation standards.

Additional Supplementary Material
In addition to EDR’s review of the Feasibility Study, the staff prepared a table which compares the proposed City of Panacea’s estimated FY 2015-16 revenues and expenditures (i.e., first year of municipal operations) to those of ten similarly-populated municipalities in other Florida counties as well as the five municipalities of Apalachicola in Franklin County, Cedar Key in Levy County, Crystal River in Citrus County, and St. Marks and Sopchopy in Wakulla County, which were presented as comparison cities in the Study. 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 (AFR) to the Department of Financial Services.
Although the reported revenues and expenditures reflect different time periods, this comparison may be instructive in illustrating how the proposed City of Panacea’s first-year revenues and expenditures compare to more “mature” cities in other counties having similar populations as well as to the comparison cities. On a per capita basis, the proposed municipality’s first-year revenues and expenditures are well below those of all other comparison cities as would be expected given the proposed municipality’s initial limited scope of operations. For how long the proposed City of Panacea’s per capita revenues and expenditures remain that low would ultimately be the responsibility of future governing bodies of the proposed municipality.

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
### Economic and Demographic Research

**Incorporation: Proposed Incorporation's Report to Incorporated**

**The Study**

- Similarly Populated Municipalities (Sorted by Population: Low to High):
  - Park Golden Beach
  - Grand Key
  - Crystal Springs
  - Jupiter Island
  - Panacea

- Counties:
  - Clay
  - Gilchrist/Levy
  - Madison
  - Wakulla

**2012 Population**

- 725
- 805
- 816
- 817
- 834

**2013 Population**

- 749
- 755
- 805
- 816
- 817

**2014 Population**

- 749
- 783
- 772
- 816
- 822

**Total Revenues by Category**

- **Taxes**: $187,320
- **Permits, Fees, and Special Assessments**: $51,119
- **Intergovernmental**: $73,741
- **Charges for Services**: $208,868
- **Judgments, Fines, and Forfeits**: $78
- **Miscellaneous**: $22,748
- **Other Sources**: $11,500

**Total All Revenue Accounts**

- $555,374
- $447,422
- $780,081
- $1,360,278
- $2,276,540
- $307,105
- $1,874,351
- $1,309,467
- $540,631
- $2,805,322
- $4,959,396
- $5,707,837

**Per Capita Revenues by Category**

- **Taxes**: $253
- **Permits, Fees, and Special Assessments**: $69
- **Intergovernmental**: $100
- **Charges for Services**: $282
- **Judgments, Fines, and Forfeits**: $0
- **Miscellaneous**: $31
- **Other Sources**: $16

**Total All Revenue Accounts**

- $749
- $996
- $969
- $2,024
- $27,003
- $360
- $36,828
- $1,463
- $641

**Total Expenditures by Category**

- **General Government Services**: $114,075
- **Public Safety**: $26,658
- **Physical Environment**: $332,142
- **Transportation**: $156,651
- **Economic Environment**: $89,920
- **Human Services**: $-3,383
- **Culture / Recreation**: $3,233
- **Other Uses and Non-Operating**: $11,499
- **Total All Expenditures Accounts**: $647,258

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

- Apalachicola
- Cedar Key
- Crystal River
- St. Marks
- Sopchoppy

**Municipalities Included in the Feasibility Study**

- Franklin
- Levy
- Citrus
- Wakulla

**February 2, 2015**
## Panacea Incorporation Feasibility Study

Comparison of Proposed Incorporation’s Reported Revenues and Expenditures to Other Similarly-Populated Municipalities and to Municipalities Included in the Feasibility Study

### Per Capita Expenditures by Category

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<td>Total Expenditure Detail</td>
<td>$1,563</td>
<td>$1,503</td>
<td>$1,017</td>
<td>$1,530</td>
<td>$21,933</td>
<td>$180</td>
<td>$7,108</td>
<td>$1,587</td>
<td>$574</td>
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**Notes:**

1. The revenues and expenditures of the comparison municipalities reflect those reported in Annual Financial Reports (AFR) for the local fiscal year ended 2013 (most recent data 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.

2. Panacea’s proposed revenues and expenditures are the base year (i.e., FY 2015-16) estimates listed in Table 1: 5-Year Revenue Detail and Table 2: 5-Year Expense Detail on p. 29 of the revised Feasibility Study dated August 2014. The calculations of Panacea’s per capita revenues and expenditures are made using the estimated 2014 municipal population of 882 (Study, Table 4: Population Projections, p. 31).

3. The Panacea Taxes amount is the sum total of Ad Valorem Tax of $95,900, Business Tax of $4,303, and Public Service Tax of $95,880. The Panacea Permits, Fees, and Special Assessments amount is the sum total of Franchise Fees of $64,442 and Planning and Development Fees of $7,687. The Panacea Intergovernmental Revenues amount is the sum total of the Local Government Half-Cent Sales Tax, $26,283 and Municipal Revenue Sharing, $12,610.

4. The Panacea General Government Services amount is the sum total of all listed expenses, except for the Parks and Recreation amount of $24,000, which is listed in the Culture/Recreation category.