

Village of Indiantown Incorporation Feasibility Study

Prepared by



Joseph M. Mazurkiewicz, Jr.
President
PO Box 101655
Cape Coral, FL 33910-1655
239-470-5778

February 2017

INTRODUCTION

Indiantown is a long established community located in the western Martin County. The local Chamber describes the community as “Clean, Green and High-Tech”. It is bordered by the St. Lucie Canal, enjoys a uniquely strategic location and quality of life where companies and families put down roots to grow. It is home to the world’s first hybrid solar energy facility, the most advanced fiber optic network available and a thriving marine industry. Indiantown enjoys low cost land and power, a robust and diverse labor pool and uniquely powerful civic cooperation that speeds relocations and start-ups with innovative benefits such as Permit-Ready sites, top-notch workforce training and an array of financial incentives, including those for Florida’s Enterprise Zones. (Indiantown Chamber Web Site).

It is made up of everything from well-kept tract houses to historic company employee housing dating back to the middle 20th century. There are a few newer commercial areas along SW Warfield Blvd. (SR710), the major corridor in the community. There are industrial areas with an active dry storage marina and a local airport with good industrial land surrounding it. The area also has a large working agricultural component.

The proposed area for incorporation has an estimated population of 5,457 based on census data and recent local economic development reports. There are 2,295 registered voters in Indiantown.

Indiantown is a well-established community dating back to the early 1920's with family roots going back many generations. The community has the vast majority of the necessary infrastructure (water, sewer, reuse water, gas, fiber optics, roads, and parks) in place. The driving economic force is a mix of agriculture,

construction, retail, manufacturing and professional/scientific/management.

Community leaders in Indiantown are exploring the viability of incorporation. The primary goals of this consideration are:

- 1) "Home Rule" which would allow area residents to control the future destiny of their community.
- 2) Enhance the residential sector of the area while expanding housing options
- 3) Take a long range look at what future impacts and outside forces will have on the community.
- 4) Enhance economic development opportunities
- 5) To build a community centered plan to meet the future needs of the area's residents.

A goal of incorporation would be to maintain a minimal level of staffing. Wherever possible, municipal services would be contracted, based on cost effectiveness and the ability to provide a desired level of service. The initial intent would be to work with the Martin County Fire to continue services provided by that body. Law enforcement likely would remain a function of the Martin County Sheriff's Office, with the levels of service established through a contract. Planning, zoning and building inspections would remain a function of Martin County Government on an interim contract basis, but would ultimately be provided by a yet-to-be identified contractor.

On August 17, 2016 Indiantown Independence signed a letter of engagement with BJM Consulting, Inc. This agreement directed BJM Consulting, Inc. to review a series of tasks approved by the group and to provide an impartial assessment of the tasks and present the findings to the community leaders. The assigned tasks were:

- A review of the existing services presently being provided in Indiantown.
- Development of proposed incorporation revenue timeline.
- Development of revenue analysis for proposed incorporated area.
- Development of expenditure analysis for proposed incorporated area.
- A pro forma presentation of revenue vs. expenditures, forecasted for a period of five years.

Financial projections by BJM Consulting, Inc. are based on information provided by Martin County governmental web sites and compared to projections provided by the State of Florida. In addition to developing these initial financial projections, BJM Consulting, Inc. conducted a series of interviews with parties involved in the Indiantown community, or with entities that conceivably would provide services to the Indiantown community on a contractual basis should the

community become a city.

In preparation for this report BJM Consulting, Inc. reviewed many Martin County government web site, reviewed recent studies, conducted a comprehensive guided tour of the area proposed for incorporation and spoke with community and governmental leaders.

In addition to providing an independent assessment of the scope of services developed by the Committee, BJM Consulting, Inc. has completed a SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis of incorporation for the Indiantown Community. The intent is to provide a concise yet thorough analysis of factors that the Indiantown residents would need to consider when formulating a decision on whether to pursue incorporation of their community.

The name and addresses of the three people submitting this proposal are:

Eva Martinez
15044 SW Monroe Ave.
Indiantown, FL 34956

E. Thelma Waters
17192 SW Magnolia St.
Indiantown, FL 34956

John Arthur Matson
16142 SW Five Wood Way:
Indiantown, FL 34956

EXECUTIVE SUMMARY

SWOT ANALYSIS

The basis of a SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis is to identify the current conditions of an organization/area in four areas. Strengths and weaknesses are areas of concern that presently exist within the organization/area, while opportunities and threats are external and future factors. By identifying these conditions, citizens of the Indiantown community can make informed decisions on whether incorporation is the best path to address the special needs and concerns of the community.

The SWOT Analysis will be broken up into three parts; overall issues that will affect the community, expenses and revenue issues, and contractual service agreements for key services such as law enforcement, fire protection and planning and zoning issues.

It should be noted that the analysis of expenditures and revenues are based on financial projections developed by BJM Consulting, Inc. to support a new and innovative type of local government. In today's changing world many local governments are looking to out-sourcing many services, this new prototype proposes to out-source all government service functions.

Overall Issues

Strengths:

- Indiantown is an inland community with a high elevation and the majority of the necessary infrastructure in place
- Indiantown has a very strong ad valorem tax base
- Indiantown is at the intersection of multiple Florida Strategic Intermodal Systems (SIS), including SR 710, the St. Lucie Canal, significant natural gas pipeline (FPUC), CSX railroad, and state of the art fiber optic network (ITS).
- Community leaders are knowledgeable and experienced in providing existing public services
- The community has demonstrated the ability to work together to accomplish a common goal, including the development of a CRA Community Master Plan
- The community has the ability to incorporate using the existing Primary Urban Services Boundaries
- There is existing support for a business-like look at incorporation by local residents
- As proposed, the new municipality would not need a large number of employees to provide a high quality of life and good levels of

service

- There are no major unfunded liabilities with the area's infrastructure
- There is an existing rail line running through the community
- There are sufficient parks within the area
- Small Village charm
- Good number of established small businesses
- Major employers
- Great industrial tax base
- Good potential for industrial growth, waterfront industrial site, 600 acres industrial zoned adjacent to airport
- FPL plant with abundance of excess capacity for power
- Available fiber optics network
- Good primary transportation infrastructure
- Located on Intercostal Waterway
- Recent, significant investment in new agricultural commodities

Weaknesses:

- Indiantown never has been through the State of Florida Comprehensive planning process required of cities. While it is anticipated that the new Village's planning staff will prepare the new comprehensive plan, this still will be a new exercise for the community
- The Village of Indiantown never has established a working relationship with State and Federal agencies
- Because of plans to provide many key services (law enforcement, code enforcement, road maintenance, and planning and zoning), through inter-governmental agreements, quality control could become a key issue
- Poor quality and diversity of housing choices
- Aging housing inventory
- Lack of employment growth and development in recent years
- As an inland community their needs don't fit well with the Martin County land use regulations and development philosophy
- There is a need for stricter aesthetics and designs standards for residential housing
- Roads in some of the industrial and agricultural area are in need of maintenance or rebuilding
- There are side/residential streets that are unpaved or in need of maintenance
- No destination retail downtown
- Intermittent poor water quality due to Lake Okeechobee releases and local basin runoff
- There are some code enforcement issues in some of the lower

social economic residential areas

- Recent closure of a couple of major employers
- Limited water for fire flow due to limits of existing system
- There are many mobile homes in the area which do not contribute to the cost of providing local services through ad valorem taxes
- Loss of orange groves as an active crop in recent years

While Strengths and Weaknesses looked at internal and present conditions, Opportunities and Threats look to external and future conditions.

Opportunities:

- Votes on incorporation have been supported by members of the local delegation to the Florida House of Representatives and Florida Senate.
- Local governmental agencies (Martin County Sheriff's Office, Martin County Fire, and Martin County governmental staff) are willing to negotiate for the provision of services. This would allow Indiantown to determine the levels of service desired for the community rather than rely on outside boards or elected officials
- Incorporation would give the Village of Indiantown "home rule" powers, as defined in the Florida Constitution, to protect the interests of the community and define how the community will evolve in the future
- The Village could negotiate with Martin County for control of County impact fees collected within the incorporated area
- A local government located within the community could react to citizens' concerns much sooner than the existing situation
- The establishment of a city government within the community would eliminate the influences of out of area special interest groups
- The Village could establish its own CRA to benefit the for the downtown area
- The Village could lure larger employers to the community on some of the larger parcels
- Affordable housing
- Better public safety
- A place of destination for young families with good employment opportunities

Threats:

- Residents and business owners who are part-time, or non-registered voters may experience a change in the influence they

- have on level-of-service discussions
- The availability of a government body within the community would give easy access to local special interest groups and possibly increase their influence on the process of governing
 - As a South Florida community standing alone to face a natural disaster, there is a major unfunded liability in disaster reserves to meet the immediate needs of its citizens. This could be addressed by using a "bridge loan" of \$1,000,000 for the first five years budgeted as disaster reserves
 - Continued degradation to the river if implementation of CERP and CEPP projects do not proceed in a timely manner
 - Increase cost and greater expectation of local government services due to the impact of people now living in a city

The next three sections examine conditions associated with the "Government Lite" form of government and the assumptions used in developing the fiscal forecast.

Expenses

Strengths

- The existence of conservative expenditure estimates and projections
- The existence of a financial plan that includes budget contingencies or reserves
- A service-delivery plan that limits allocation of city staff while emphasizing contractual services/private sector competition

Weaknesses

- Even though existing local elected policy boards may favor entering into contractual agreements to provide services, a change in political leadership could result in the Village of Indiantown having to provide all services in-house or pay high costs to continue the services

Opportunities

- Indiantown would have the ability to implement an innovative, lean and progressive municipal government organization focused on supplying specific levels of service
- The Village would have the ability to negotiate specific levels of service from other governmental or private organizations that already provide services to or near the community

Threats

- The potential inability to negotiate long-term agreements with contracting agencies for delivery of service could force the community to provide those services in-house
- There is a potential need to establish in-house service providers in the future
- There are limited dollars identified in the budget to meet the Disaster Reserve needs

Revenue

Strengths

- The use of conservative revenue estimates and projections
- The availability of diverse revenue capacity in areas of ad valorem property taxes, public service tax, franchise fees, licensing and permits, user fees and fines available to Florida municipalities
- A strong history of growth in assessed property values

Weaknesses

- Overall reliance initially on property tax to balance the budget
- Due to the fact that a large percentage of the residential properties are Homesteads, the Save Our Home Amendment could have the effect of loading the burden of local government on the remaining property owners

Opportunities

- The ability to petition the state Legislature in order to receive state shared revenues one year earlier than allowed by statutes
- The ability to alter revenue mix bases on the desires of the community
- The ability to negotiate with other governmental bodies on behalf of Indiantown's need for capital dollars through grants and partnerships

Threats

- The inability to initiate revenue-raising capability if the timeline is not adhered to.
- The inability to develop the needed funds for the disaster reserves could bring about a need for increase taxes in the early years of the incorporation

Contractual Services **(Law Enforcement, Code Enforcement, Planning Zoning and other services)**

Strengths

- The ability to utilize the strengths and sizes of other agencies in terms of manpower, training and equipment
- The ability to avoid extensive capital costs necessary to begin departments such as police, fire and dispatch for fire and police and geo-processing capabilities for planning and zoning
- The ability to avoid the need to hire support personnel for law enforcement, fire and planning and zoning staff
- The ability to negotiate with both Martin County and other local governments for services setting up a competitive environment

Weaknesses

- The inability to control policy decisions made by agencies with whom contracts are formed. The Sheriff and County Government staff all have outside interests that could conflict with the interests of Indiantown and its residents. While contractual provisions could be incorporated into the agreement for services, day-to-day policy is too cumbersome to be part of the agreement. Contractual agreements would guarantee that certain levels of service would be provided, immediate demands or changes in desired levels of service, or the focus of efforts would not be as easily changed when compared to in-house staff

Opportunities

- Contractual services with outside agencies in the early years of a city would allow policy makers and citizens to keep the initial costs of municipal government to a minimum by avoiding extensive capital costs
- Additional staffing to handle delivery of essential services could be added in the future
- The ability to increase or decrease personnel and levels of service based on provisions of the contracts

Threats

- A change in political or administrative leadership in outside agencies could eliminate the willingness to negotiate for services, or drive up the costs for those services in the future
- Delays in negotiating contractual services could leave the city

without essential services such as law enforcement patrol or fire protection, or hamper the city's ability to meet comprehensive plan submission deadline

Task1 REVIEW OF EXISTING SERVICES

Indiantown is currently receiving services from Martin County Government. These services include maintenance of right-of-ways, parks, all developmental services, code enforcement, library, cultural services and other general governmental services. Water and sewer service is being provided by the Indiantown Company, Inc. Fire protection is provided by the Martin County Fire & Rescue through a MSTU. Law enforcement is the responsibility of the Martin County Sheriff's Department. Emergency Medical Services are being provided by Martin County EMS funded by the Fire MSTU.

Other government services are being provided by the Martin County Court, the Circuit Court of the Nineteenth Judicial Circuit, the Fourth District Court of Appeals, the Indiantown Community Development District and Martin Soil and Water District. There will be no initial impact on these districts due to incorporation. The Troup Indiantown Water Control District is also in the area and incorporation will have no impact on its operation. It is possible the Indiantown Community Development District could come under the control of the new Village if it were agreed to by the new Village and County. The area will still be serviced by the Martin County School District without any change or impact on the system. Transportation services are provided by Martin MPO and will continue to be provided after incorporation. The only difference is the Village may have a seat on the MPO providing local representation and oversight for these services.

The Martin County Sheriff will continue to provide the present level of service to the new Village. This is done under the direction of the Florida Constitution defining the Sheriff as the Chief Law Enforcement Officer in each of the Counties in the State. Martin County presently funds the Sheriff's office through their general fund ad valorem milage. After incorporation all properties within the area proposed for incorporation will continue to pay the Martin County general fund ad valorem milage to support the continuation of these services within the Village at the present levels of service.

Other services are provided by private sector companies. Power is provided by FPL and phone service by ITS Telecommunication Systems. Solid waste hauling and disposal is provided by Waste Management through a franchise agreement with Martin County. Natural Gas is provided by FPUC.

Present land use characteristics of Indiantown include Industrial, Commercial, Agricultural, Residential and Utility. Attached is a copy of the Indiantown Land Use Map as (**Appendix 1**). Appendix 2 shows the approximate acreage of each land use. As of July 31, 2016, there are no pending land use in the proposed area of incorporation.

The area considered for the proposed incorporation is approximately 13.489+/-

square Miles, or 8,632.91 +/- acres (**See Map Appendix 2**). The estimated permanent population for this area at 5,457, this equates to a population density of 0.632 persons per acre which does not meet the minimum density requirement of 1.5 persons per acre required by the statutes for incorporation. The proposed area is compact, contiguous, and amenable to a separate municipal government (**See Map Appendix 2**). It has an estimated population of 5,457 which exceeds the 5000 required by the statutes. There are no existing local municipality within the 2 mile buffer required by State Statues.

The estimated population for Indiantown of 5,457 was based on Census tract data and refined by year-round active water and sewer utility accounts. In addition we took 70% of the remaining ERU's in the area proposed for incorporation that were not serviced by municipal water and sewer to establish the total number of ERU's in the area proposed for incorporation. We then multiplied the estimated year around ERU's by the Martin County average population per household of 2.3 to come up with the estimated permanent population. The annual 2% increase in population was based on information provided by Martin County. The County has experienced a 2% increase in population over the last 5 years as per the County Administrator.

The area of Indiantown proposed for incorporation meets all but one of the requirements of State Statues to be considered for incorporation. The density requirement will need a waiver in the local bill from the density requirement. This is not unusual as many recent incorporations bills have been passed by the legislature with waivers to the requirements listed in the statutes.

The following information is given in support of the requested waiver to the density requirement of 1.5 persons per acre. The required density is not yet attained in the area proposed for incorporation due a large portion of the area having industrial and utility land uses. At the present time these two zoning categories amount to 4,335 acres and while they do not support residential development they do provide a good tax base and job opportunities for the community.

The area has a significant amount of existing agriculture land which is designated by the future land use map as future urban uses. Much of this land is already planned and programmed for residential development. Once these lands are developed as residential the population is predicted to go past 17,000 according to Martin County's Indiantown Economic Study; absent the housing market crash of the last decade the study predicted Indiantown's population would already be over 15,000 giving the area a density of 1.6 persons per acre. It is for these reasons we believe the wavier should be granted by the legislature.

Additional support for the exception to general law requiring a density of 1.5 persons per acre is the existence of the approved Indiantown DRI with entitlements in place for 1600 new residential units. Using the Martin County

average of 2.3 people per household this development alone will add 3680 new people to the area proposed for incorporation. Once these residents are added the total residents in the area proposed for incorporation the population will be 9,317 bringing the density per acre to 1.03 persons per acre, when you take out the 4,335 acres that are non-residential, this brings the population density to 1.98 persons per acre.

It is projected after incorporation, most governmental services would continue to be provided by the current agencies. The method of paying for these services would be changed to utilize revenues collected by the new local government. In lieu of citizens of Indiantown contributing to Martin County's MSTU for Fire, EMS, Parks, Roads and Stormwater they would pay the same millage to the Village. The Village would establish interlocal agreements with Martin County, other local governments or contracts with private sector companies to provide the present levels of service continue throughout Indiantown.

We did communicate with the County Administrators about the validity of our methodology and proposed estimates for the cost of the MSTU services. The methodology is to use the per capita expenses in each area funded by a MSTU's, multiply it by the population of the area proposed for incorporation and then add a 4% administrative fee to determine the cost for each service to the County. Based on BJM's experience with other newly formed cities who use this method of providing local services, County staff will not negotiate letters of intent or memorandums of understanding with a group contemplating incorporation, and then renegotiate the same document with the newly formed body of elected officials after a successful incorporation effort. County staff can see this as the newly formed municipality getting two bites at the apple.

There would be no impact on any other of the taxing authorities having jurisdiction over the area proposed for incorporation. All taxing agencies would continue to collect ad valorem tax dollars as they do presently.

The existing Martin County neighborhood CRA would continue to exist as is until a decision is made by the Indiantown Council to change it. They could negotiate with Martin County to take over the CRA through an Interlocal agreement or they could agree to dissolve the County's CRA and establish a new one under the total control of the Village.

How would incorporation impact the existing services in the community, and what would be the duties of the new Village government?

The proposed structure of operations would have the Village unifying the area's land use, zoning, building, and code regulations. This would initially occur under the authority of the Martin County Comprehensive Plan and land use and zoning regulations, with the Village having enforcement authority. The Village would also be a new partner to all present services providers. The existing Franchise

agreements with FPL and Waste Management would continue to be in place until the Village is legally able to establish new agreements.

The Village would not be the provider of services, rather it would establish levels of service, prioritize capital and maintenance projects, and be a resource for all community groups. **There will be no change in cost for all governmental and public utility services to the residents of Indiantown if it were to incorporate.**

The following is a comparison of the estimated cost of government services provided by Martin County for FY 2019 within the Village of Indiantown if they remained part of unincorporated Martin County versus becoming a newly incorporated area.

	<u>Unincorporated Martin County</u>	<u>Village of Indiantown</u>
Sheriff	\$5,151,810	\$5,151,810
Public Works	\$181,083	\$181,986
Street Lighting	23,200	23,300
Library and Cultural	13,273	13,273
Fire	4,794,267	1,378,080
Parks & Rec	282,384	91,792
Stormwater	506,128	154,757
Roads	617,525	208,553
Local Gov't Cost	0	1,230,181
Total Cost	\$11,569,670	\$8,433,642

Under the above scenario Indiantown will continue to be a donor area for those services that are funded on ad valorem taxes due to their strong tax base percapita. These areas include: Sheriff, Public Works, Street lighting, Library and Cultural. Other areas now funded on a percapita basis will go down for the citizens of Indiantown. These areas are: Fire, Parks and Recreation, Stormwater, and Roads.

Based on the assumptions use above in FY 2019, the first full year after incorporation, it is projected Martin County will lose: \$383,858 in Franchise Fees; \$74,322 in Communication Sales Tax; \$643,382 in State Shared Revenues; and \$3,288,279 in Fire MSTU revenues; \$190,402 in Parks and Recreation MSTU revenues; \$320,248 in Stormwater Revenues; and \$351,281 in Roads MSTU. In total a General fund loss of 1,095,099 and Special Revenue Fund loss of \$4,150,210. These losses are 0.8% of the County's General Fund and 9.25% of the County's total MSTU budget.

As with any local government Martin County has three options available to make up for these reduction in revenues: find efficiencies in present operations, reduce present services levels; or raise revenues by increasing taxes, fees or establish

new fees.

Based on the Lee County experience with 3 newly incorporated cities in the last 20 years, the County found operating efficiencies and did not cut services or raise additional revenues.

The total cost of local government services within the proposed Village of Indiantown will be \$1,545 per capita which put it in line with other Florida cities using the government lite philosophy.

Task 2
DEVELOPMENT OF A POSSIBLE
INCORPORATION/REVENUE TIMELINE
FOR VILLAGE OF INDIANTOWN

This study assumes the following incorporation/revenue timeline for the Village of Indiantown:

<u>Date</u>	<u>Activity</u>
August 2016	Initial Incorporation study is completed
September 2016	Final Feasibility Study with Charter and instrument showing support for incorporation is presented to local delegation and the State of Florida
November 2016	Martin County Local Delegation passes the local bill for incorporation
March 2017	Local bill goes to Florida Legislature, and is passed
Spring and Summer 2017	Community debates the pros and cons of incorporation
November 2017	Incorporation referendum passes. (Mail ballot)
December 2017	Village becomes a legal entity.
March 2018	Village local election held and first Village council meeting occurs
April 2018	Village begins receiving state shared revenue (provided city charter is approved)
November 2018	Village begins receiving ad valorem tax revenue
July 2019	Village receives state shared revenue if strict timeline is held.

Local governments operate on an October 1 - September 30 fiscal year. The State of Florida however, follows a July 1- June 30 fiscal year. In order for the

newly incorporated Indiantown to qualify for ad valorem taxes and various types of state shared revenues, it must meet property appraiser deadlines and comply with state-mandated criteria for state shared revenues.

If Indiantown does become a legal entity by December 2017, it should begin receiving property tax revenues collected by the Martin County Tax Collectors between November 2018 and January 2019. Unlike other attempted incorporations, Indiantown is a clearly established independent taxing district with clearly identified boundaries. This should make cooperation and coordination with the Martin County Property Appraisers that much easier.

The important dates to remember for revenue purposes are:

Establishment of a tentative millage (following public hearings) on or before August 4, 2018

Adoption of a final millage rate (following two public hearings) on or before September 30, 2018

With regard to state shared revenues, The Village of Indiantown must meet specific criteria established in F.S. 218.23(1), which states:

"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:

A) Reported its finances for its most recently completed fiscal year to the Department of Banking and Finance pursuant to s. 218.32.

B) Made provisions for annual post audits of its financial accounts in accordance with provisions of law.

C) 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 millage authorized by voters, to produce the revenue equivalent to a millage rate of 3 mills on a 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 to be raised from the ad valorem tax, the occupational license tax and the utility tax. It does not require a minimum millage rate."

Remember that the State operates on a July 1-June 30 fiscal year. Indiantown may not be eligible for state shared revenues until July 1, 2018, because of the time lag between the date of incorporation and the beginning of

the State fiscal year.

Revenue Timeline Findings

Indiantown's proposed revenue timeline projects state shared revenue as of March 2018, pending approval of the necessary language in the City Charter. If this does not occur, the July 2019 date is well into the proposed municipality's second fiscal year; the Village should then be able to meet the criteria established F.S. 218.33(1). Thereafter, state shared revenue is distributed on a monthly basis. This revenue timeline appears accurate, provided incorporation and other steps toward becoming a legal entity are completed within the proposed incorporation calendar.

Task 3
DEVELOPMENT OF REVENUE ANALYSIS
FOR INDIANTOWN

For the purpose of this study the revenue analysis is based on a population of 5,457 and taxable value of \$1,997,623,663 for the proposed area of incorporation for Indiantown. The area follows the existing Urban Services Boundary.

Municipal Revenues

Municipal governments utilize a wide variety of revenues to pay for services provided to their citizens. Responsible municipal governments attempt to balance their revenue sources to produce long-term solvency while utilizing a revenue mix that is compatible with local needs. Depending on these needs, municipal officials should conscientiously formulate a mix of revenues that will pay for municipal operations and services.

Florida's state constitution gives municipalities home rule authority in all areas except taxation. A municipality has the discretion to perform any public service, enact any ordinance unless specifically prohibited by the state. The constitution restricts municipalities to levying taxes that specifically have been authorized by general law enacted by the Florida Legislature. The lone exception is property tax. It is the only local revenue source authorized by the constitution and is capped at 10 mills for general operating purposes. A mill is equal to \$1 of tax for each \$1,000 of taxable value.

The following is an overview of general fees and revenues typically available to a municipality.

Ad Valorem Property Tax

Property taxes are based on the value of real and personal property. Each year the county property appraiser determines the total value of each parcel of property. The value of residential property is based solely on the value of the real estate, which includes the buildings and improvements, while commercial property includes these values in addition to all relevant personal property. This value is called "assessed value." After subtracting all lawful exemptions (i.e. Homestead, \$50,000; widow, \$500; widower, \$500; disability \$500), the remaining value is called "taxable value."

Ad valorem taxes are based on taxable value. The property tax is calculated by multiplying taxable value of property by .001, and then multiplying that number by the rate of taxation, which is referred as "mills" or "millage rate." For example, for a home assessed at \$250,000 by the county property appraiser, the taxable value would be \$200,000 after deducting the \$50,000 Homestead exemption. If the municipality's millage rate were 5.0 mills, the property taxes would be \$1,000

(\$200,000 x .001=\$200 x 5.0 mills = \$1,000.)

All property taxes are due and payable on November 1 each year or as soon as the assessment roll is certified by the Martin County Property Appraiser. Martin County will mail each property owner a notice of taxes due to the city and the discount rate for paying taxes (4 percent if paid in November, 3 percent if paid in December, 2 percent if paid in January and 1 percent if paid in February.) There is no discount if taxes are paid in the month of March, and taxes are considered delinquent after April 1.

The Indiantown area for incorporation taxable value for the 2017 tax year was estimated to be \$ 1,997,623,663. Based on this estimate, the Village of Indiantown tax revenues for fiscal year 2017 per one mill levied can be projected as follows:

Taxable value	\$1,997,623,663
<u>x the percent 0.95</u>	
Revised Taxable Rate	\$1,897,742,480
<u>x millage rate .001</u>	
Estimated Property Tax	\$1,897,742
Revenues at 1 mill for FY 2017	

Ad Valorem Property Tax Findings

Historically, Indiantown property owners have taken advantage of the various discounts offered by the Martin County Tax Collector. The certificate of taxable value does not account for such discounts; therefore, a 95 percent projection represents a reasonable and prudent estimate technique used by numerous local Florida governments.

For the purposes of this study we will use the combination of Fire Rescue MSTU (2.4804 mills), Parks and Recreation MSTU (0.1499 mills), Stormwater MSTU (0.2527 mills), Roads MSTU (0.2971 mills) for a total of 3.1801 mills of local taxes presently being paid. This will allow the new city to participate in State Shared Revenues.

The Village of Indiantown will collect a millage of 3.1801 mills yielding a revenue of **\$5,983,392 for FY 2019.**

Public Service Tax

The Public Service Tax, also called the "Utility Tax", is another substantial revenue source. This tax is levied by the municipality on specific utility services collected by the utility provider, even if the provider is the municipality itself. The tax is incorporated into the utility bill and is based on relative consumption.

Section 166.231 of the Florida Statutes provides authority to assess a tax based on the purchase of electricity, telephone and telegraph, water and heating fuels (natural gas, propane, fuel oil and kerosene) at a rate not to exceed 10 percent.

Public Service Tax Findings

Because this tax has not been approved for use in unincorporated Martin County the Indiantown incorporation analysis does not include revenues associated with a Public Service Tax; therefore implementation of the tax at a later date could produce two results--additional revenues to either support programs or reduce ad valorem property taxes.

Franchise Fees/Communication Service Tax

Franchise fees generate revenues in much the same way as the Public Service Tax. Franchise fees, however, typically are levied on a company or utility for the privilege of doing business within the municipality's jurisdiction and/or for utilizing a municipality's right-of-way to transact business.

Franchise Fees/Communication Service Tax Findings

Martin County presently does levy franchise fees on electric service, and collects communication service tax (Telephone & Cable TV) from the State, but the county retains the revenues derived from the collection of these fees. If Indiantown is incorporated it would share in the communication service tax revenues from the State and collect the revenues from the electric service franchise fees paid by user within the proposed boundaries. A Communication Tax Ordinance would have to be enacted prior to September 1, 2018 to be effective January 1, 2019. Additional or increased fees adopted at a later date could produce one of two results -- additional revenues to either support municipal services or programs or reduce ad valorem property taxes.

Based on projections developed from using revenues projections for Martin County's FY 2017 Budget; franchise fees/communication service tax revenue for the Village of Indiantown for FY 2018 are estimated at **\$444,835**.

User Fees

The Florida Comptroller defines user fees as "voluntary payments based on direct measurable consumption of publicly provided goods and services." User fees are derived from charges for water, waste water, natural gas, electricity, mass transit, garbage collection, parks and recreation, building inspections, public transportation, special public safety services and a variety of other services.

User fees have substantially increased as a proportionate share of a municipal

budget since the 1970's. For some services, fees are charged at rates below the actual cost and partially are offset by taxes. This is necessary for some services so that residents on fixed incomes are not excluded due to high prices. For other services, user fees cover the full cost of service delivery; these services are called enterprise operations. A golf course would be a typical example of an enterprise operation.

In recent years it has become common for municipalities to incorporate "administrative charges" to offset indirect administrative costs computed as a percentage of gross collections on various enterprise operations, such as electric, water, natural gas, golf course, airport parking and other fee-type services. These show up on the revenue side as "transfers to the general fund" and overhead.

User Fees Findings

The Indiantown analysis does not include revenues associated with user fees as revenues or expenditures to the general fund. It is projected all existing Martin County user fees would be adopted by Indiantown and pay for the services they are presently supporting.

Intergovernmental Revenue

This category is referred to as "revenue sharing." These revenues are collected by one government and shared with other governmental units. The major sources are delineated below.

Municipal Revenue Sharing

The Revenue Act of 1972 (Florida law, chapter 72-360) describes state revenues that are shared between counties and municipalities.

"Eligibility Requirements

Pursuant to s. 218.23, F.S., a local government must meet the following requirements to be eligible to participate in revenue sharing beyond the minimum element in any fiscal year:

- 1) Report its finances for the most recently completed fiscal year to the Department of Banking and Finance, pursuant to s 218.32 F.S., (s. 218.23(1) (a), F.S.).
- 2) Make provisions for annual post audits of its financial accounts in accordance with law, pursuant to chapter 10.500 Rules of the Auditor General (s. 218.23 (1) (b), F.S.).
- 3) For local governments eligible in 1972, levy ad valorem taxes (excluding debt service and other special millage) that will produce the equivalent of three mills per dollar of assessed valuation, based on 1973

taxable values as certified by the property appraiser, or collect an equivalent amount of revenue from occupational license tax, or a utility tax (or both) in combination with the ad valorem tax; or for municipalities eligible after 1972, the three mill equivalency requirements will be based upon the per dollar of assessed valuation in the year of incorporation (s.218.23(1)(c), F.S.).

4) Certify that its law enforcement officers, as defined in s. 943.10(1), F.S. meet the qualifications established by the Criminal Justice Standards and Training Commissions, its salary structure and salary plans meet the provisions of Chapter 943, Florida Statutes, and no law enforcement officer receives an annual salary less than \$6,000. However, the Department of Revenue may waive the minimum law enforcement salary requirements, if the municipality or county certifies that it is levying ad valorem taxes at 10 mills (s.218.23(1)(d), F.S.).

5) Certify that its firefighters, as defined in s. 633.30(1), F.S. meet the qualifications for employment established by the Division of State Fire Marshal pursuant to ss.633.34 and 633.35, F.S. and that provisions of s.633.382, F.S. have been met (s.218.23(1)(e), F.S.).

6) Certify that each dependent special district that is budgeted separately from the general budget of the local governing authority has met the provision for an annual post audit of its financial accounts in accordance with the provisions of law (s.218.23(1)(f), F.S.).

7) Certify to the Department of Revenue that the requirements of s.200.065,

F.S. ("TRIM") are met, if applicable. This certification is made annually within 30 days of adoption of an ordinance or resolution establishing the final property tax levy, or if no property tax is levied, not later than November 1 (s.218.23 (1)(f), F.S.).

8) Notwithstanding the requirement that municipalities produce revenues equivalent to a millage rate of three mills per dollar of assessed value (as described in paragraph three), no unit of local government that was eligible to participate in revenue sharing in the three years prior to participating in the Local Government Half-Cent Sales Tax shall be ineligible to participate in revenue sharing, solely due to a millage or a public service tax reduction afforded by the Local Government Half-Cent Sales Tax (s.218.23(3), F.S.)."

Pursuant to s. 218.21(3), F.S., all municipalities created pursuant to general or special law and metropolitan and consolidated governments as provided in Section 6(e) and (f) of Article VIII, Florida Constitution (i.e. Metro-Dade and Jacksonville-Duval,) are eligible to participate in Municipal Revenue Sharing Program if they fulfill the necessary eligibility requirements.

However, a number of other governmental entities are judged ineligible to receive municipal revenue sharing funds. For example, Attorney General Opinion 77-21 stated that municipal service taxing units (MSTUs) sometimes referred to as

municipal service benefit units (MSBUs) are not eligible to receive funds from the Municipal Revenue Sharing Trust Fund. Two additional options determined that both regional authorities (AGO 74-367) and other authorities such as housing authorities, (AGO 73-246) also are ineligible to receive municipal revenue sharing dollars.

If a local government fails to comply with the eligibility requirements, s 218.23(1)(f), F.S. provides that the revenue sharing funds forfeited by the local government shall be deposited in the General Revenue Fund for the 12 months following a determination of noncompliance by the Department of Revenue. More typically, the revenues for an ineligible government are distributed among the remaining eligible governments until the causes for ineligibility are determined and rectified, at which time the city or county is refunded the dollars that were disbursed among all eligible municipalities or counties.

The amount and type of revenues shared with an eligible municipality is determined by the following procedure.

First, a municipality's entitlement shall be computed on the basis of the apportionment factor provided in s.218.245,F.S., and applied to the receipts in the Municipal Revenue Sharing Trust Fund that are available for distribution. The resulting amount is labeled entitlement money. This is the amount of revenue, which would be shared with a unit of local government if the distribution of the revenues appropriated were allocated on the basis of the formula computations alone.

Second, the revenue to be shared via the formula in any fiscal year is adjusted so no municipality receives less funds than the aggregate amount it received from the state in fiscal year 1971-72. The resulting amount is labeled guaranteed entitlement or hold harmless money. Those municipalities incorporated subsequent to 1972 receive no guaranteed hold harmless money.

Third, revenues shared with municipalities shall be adjusted so that no municipality receives less funds than its minimum entitlement, the amount of revenues necessary to meet its obligations as a result of pledges, assignments or trusts entered into which obligated funds received from revenue sharing sources.

Fourth, after making these adjustments and deducting the amount committed to all eligible municipalities, the remaining money in the trust fund is distributed to those municipalities that qualify to receive growth money. This final distribution to those eligible municipalities that qualify to receive additional money beyond the guaranteed entitlement is based on the ratio of additional money of each qualified municipality in proportion to the total additional money of all qualified municipalities.

Summary

In summary, the total annual distribution to a municipality, depending on the formula, will yield various combinations of guaranteed entitlement and/or growth money (associated with new construction):

- 1) Guaranteed entitlement money PLUS growth money,
- 2) Guaranteed entitlement money only, or
- 3) Growth money only.

However, the final distribution is dependent on actual collections.

Authorized Uses

According to the Department of Revenue, municipalities may assume that 35.2 percent of their total estimated Municipal Revenue Sharing distribution fiscal year 1996-97 is derived from the Municipal Gas Tax. Thus, at least 24.86 percent of each municipality's revenue sharing distribution must be expended on transportation-related purposes.

As a second restriction, municipalities are limited in the amount of revenue sharing dollars that may be bonded. Municipalities are allowed to bond only the guaranteed entitlement portion of the distribution. This hold harmless provision of the municipal revenue sharing program guarantees a minimum allotment and thereby ensures coverage of all bonding obligations to eligible governments that qualified for revenue sharing dollars before 1972. This provision does not apply to municipalities qualifying for the revenue sharing program after 1972.

Municipalities incorporated after 1973 that wish to qualify for revenue sharing funds must demonstrate local tax effort by using the taxable value of the municipality for the year of incorporation time's three mills. Obviously, a municipality incorporating after 1973 must demonstrate significantly higher actual ad valorem tax effort than municipalities that have been in the program since its inception.

Municipal Revenue Sharing Findings

Based on estimates from past projections from the State of Florida Department of Revenue--Office of Tax Research, municipal revenue sharing money for the Village of Indiantown in fiscal year 2018 are estimated at **\$88,762**.

Local Government Half-Cent Sales Tax

Chapter 82-154, Laws of Florida, created the Local Government Half-Cent Sales Tax Program. This program generates a significant amount of revenues for local governments by distributing sales tax revenue and money from the state General Revenue Fund to counties and municipalities that meet strict eligibility requirements. The primary purpose of the tax is to provide relief from ad valorem and public sewer taxes in addition to providing revenue for local programs.

Eligibility Requirements

A county or municipality must satisfy the following requirements (spelled out in s.218.63, F.S.) to be eligible to receive an ordinary distribution:

1) Qualify to receive revenue sharing funds by satisfying all requirements contained in s.218.23 F.S. However, a municipality incorporated subsequent to the effective date of Chapter 82.154, Laws of Florida (April 19, 1982), which does not meet the applicable criteria for incorporation pursuant to s. 165.061, F.S. shall not participate in Local Government Half Cent Sales Tax.

2) Meet the millage limitation requirements outlined in s.200.065, F.S.

Local Government Half-Cent Sales Tax Findings

Based on estimates from past projections from the State of Florida Department of Revenue--Office of Tax Research, the half-cent local government sales tax distribution to the Village of Indiantown in fiscal year 2018 is estimated at **\$581,874**.

The state estimates half-cent sales tax at 100 percent of distribution. Variation between projections and actual results are due to the combined effect of reconciling state and local Fiscal years, as well as, the seasonal nature of sales tax collections. A more reasonable and prudent technique would be to project half-cent sales tax fund at 95 percent of the state estimate.

Licenses and Permits

Business Tax Receipt

According to Section 205.042, Florida Statutes, "The governing body of an incorporated municipality may levy, by appropriate ordinance or resolution, an occupational license tax for the privilege of engaging or managing any business, profession or occupation within its jurisdiction."

The occupational license tax is designed specifically to raise revenue and should not be confused with the regulatory fees referred to in Section 166.221, Florida Statutes.

Occupational license tax revenues during the pre-1970s contributed a greater portion of the municipal revenue stream than at the present time. In 1972, the Legislature froze all license rates as they were in place on Oct. 1, 1971. In 1980, the Legislature allowed local governments to raise the rates of licenses with flat rates according to a three-tier schedule; 100 percent increase for rates \$100 or less, 50 percent increase for rates between \$101 and \$300, and a 25 percent increase for rates of more than \$300. In 1982, the Legislature allowed graduated

or per unit rates to increase up to 25 percent. In 2006 it was changed to the Business Tax Receipt by the legislature.

Insurance Agent Licenses

Florida Statutes (F.S. 624.507) authorize municipalities to require license fees not to exceed 50 percent of the State License tax specified by statutes, for agents operating within municipal boundaries.

Alcohol Beverage License

Thirty-eight percent of all alcoholic beverage license revenues collected by the state from within a municipality are returned to the municipality.

Permits

Municipalities charge permit fees for a variety of land use services, including building and related construction, planning, stormwater and zoning services. These are as delineated below:

- A) Building and Related Construction Permits Includes revenue for issuance of all building, plumbing, electrical, mechanical, heating/air conditioning and similar construction permits.
- B) Stormwater Fees charged for review and inspection of projects requiring stormwater Management permits.
- C) Zoning and Related Fees includes all fees collected for rezoning requests, variances, special exceptions, etc.
- D) Planning Fees includes comprehensive plan compliance/concurrency reviews, planned unit development, etc.

Business Tax Receipts and Permits Findings

This report does not include revenues associated with permits because these fees typically are revenue neutral. Revenues raised from this source would pay for inspections, processing and plan review functions that will initially be provided by Martin County staff through interlocal agreement. The report does include Business Tax Receipt revenues for FY 2018 **\$25,000**.

Fines and Forfeitures

This revenue category includes receipts from fines and penalties imposed from the commission of statutory offenses, violation of lawful administrative rules and regulations and for neglect of official duty. Fines include court fines, library fines, pollution control violations and violations of local ordinances. Forfeitures include revenues resulting from confiscation of deposits or bonds held as performance guarantees and proceeds from sale of contraband property seized by law enforcement agencies.

Fines and Forfeitures Findings

This report does not include revenues associated with such fines. The question of a lack of a municipal police force raises doubt as to the Village's ability to be eligible for such funds.

Motor Fuel Tax Refund

Florida Statutes provide for the first five cents of state gas tax paid by a municipality to be returned to the municipality for use in its vehicles.

Motor Fuel Tax Refund Findings

This revenue source will not be significant to the Indiantown due to the proposed limitation on city vehicular equipment.

Investment Income

Revenues derived from investment of cash receipts and idle funds are an important, yet often overlooked source of revenue. Many local governments are recognizing the importance of establishing effective cash management/treasury programs and are restructuring their government operations to accelerate revenues, promote aggressive revenue collections and maximize cash flow.

Investment Income Findings

This study incorporates investment income of **\$25,000 for FY 2018**.

Contributions and Donations

This revenue category is comprised of various sources primarily gifts, pledges, bequests or grants from non-governmental entities. Due to the nature of this category, revenue derived from these sources can fluctuate greatly from one year to the next.

Contributions and Donations Findings

Contributions and donations generally are considered revenue neutral because those making the donation typically earmark them for specific programs or services.

Miscellaneous Revenue

The miscellaneous revenue category includes a variety of less important

sources, such as permit fees, non-occupational license fees, rents, royalties, special assessments, the sale of assets, insurance compensation, etc.

Miscellaneous Revenue Findings

There is no attempt by this report to project such revenue. This is a reasonable approach considering the difficulty in developing stable projections.

Local Option Gas Tax

Municipalities in Florida Counties share in the county's 6-cent local option tax on motor fuel and special fuel. The county uses its portion for maintenance of existing roads. The cities use their share for general transportation purposes. There is a statutory formula that establishes a minimum portion to be shared with each city.

An opinion from the Florida Attorney General States in part the following:

Section 336.025, F.S. (1992 Supp.), allows counties to impose a local option gas tax upon every gallon of motor fuel and special fuel sold in a county and taxed under the provisions of Part I or Part II, Ch. 206, F.S. (1992 Supp.).[2] Only those municipalities and counties eligible for participation in the distribution of moneys under Parts II and VI of Ch. 218, F.S., are eligible to receive moneys under this section.[3]

A county may levy the tax by ordinance adopted by a majority vote of the governing body or approval by referendum.[4] Under this procedure,

"[t]he county may, prior to June 1, establish by interlocal agreement with one or more of the municipalities located therein, representing a majority of the population of the incorporated area within the county, a distribution formula for dividing the *entire* proceeds of the local option gas tax among the county government and all eligible municipalities within the county."[5] (e.s.)

In the absence of an interlocal agreement, the county may, prior to June 10, adopt a resolution of intent to levy the tax.[6] If no interlocal agreement or resolution is adopted, municipalities representing more than 50 percent of the county population may, prior to June 20, adopt uniform resolutions approving the local option tax, establishing the duration of the levy and the rate authorized, and setting the date for a countywide referendum on whether to impose the tax.[7] In the event the tax is levied by county resolution or by uniform resolutions of the municipalities, the proceeds of the tax must be distributed "among the county government and eligible municipalities based on the transportation expenditures of each for the immediately preceding 5 fiscal years." [8] Any newly incorporated municipality which is eligible for participation in the distribution of moneys under Parts II and VI, Ch. 218, F.S., located in a county levying the local option gas tax

is also entitled to receive a share of the tax revenues.[9]

Local Option Gas Tax Findings

Based on the existing law and the interlocal agreements Florida Counties have established with the other cities within the counties it is not clear exactly what formula was used. It is clear the distribution of this revenue is developed through political negotiations and trying to estimate what Indiantown's portion would be is at best more art than science.

With this understanding this study decided not to include Local Option Gas Tax revenues in our revenue projection for Indiantown. We believe it will be in the Village's best interest to continue to allow Martin County to retain the Local Option Gas tax revenues and continue to provide all local road maintenance in the initial years following incorporation.

Of course this decision will ultimately be determined by the newly elected Village Council and the Martin County Commissioners.

Task 4
DEVELOPMENT OF EXPENDITURE ANALYSIS
FOR INDIANTOWN

Municipal Expenditures

Municipal government expenditures cover a wide variety of areas. Specific areas, however, are largely dependent upon the desires and needs of the citizenry and are formulated by the municipality's elected officials. General expenditure categories for Indiantown will be presented within specific expenditure groups and subgroups as reported in the Florida Local Government Financial Report, which is prepared annually by the Florida Comptrollers Bureau of Local Government Finance.

General Government

The general government category includes the legislative, judicial and administrative functions of the municipal government for the benefit of the public and governmental entity as a whole. This includes total expenses for elected officials, city manager, city clerk, finance, administrative, legal counsel, comprehensive planning, elections and insurance.

Public Safety

This category also includes police and sheriff's department services, corrections, fire prevention, municipal fire services and/or contractual payments for firefighting services from other entities. Public safety is the largest single expense area for Florida's municipalities and has shown sizable increases during the past several years. With Florida's growing population and increased demands for improved law enforcement and fire protection, this area is expected to continue to grow.

Utilities

Municipal utilities in this context refer to basic user fee services associated with enterprise fund operations of water, sewer, electric and natural gas.

Solid Waste

Three components fall under the function of solid waste: collection, disposal and recycling.

The collection aspect can take several forms. Many years ago, back door collection was the primary method. As personnel costs steadily grew, municipalities were forced to find cheaper and more cost efficient methods. Today, the majority of municipalities utilize curbside collection or they contract

with a private hauler to perform all or part of the operation. In larger multi-family complexes, dumpster service is now the industry standard.

Solid waste disposal has become increasingly complex and expensive in recent years, following the passage of state and federal environmental laws. Due to these actions, virtually all municipalities have moved away from landfill operations and this has become a county function or service provided by independent districts that operate from larger tax or population bases.

While recycling of discarded goods has been performed for many years in Florida, the passage of the state's Solid Waste Management Act in 1988 has prompted the emergence of highly organized recycling programs. This act requires, among many other things that communities initiate and achieve specified levels of recycling to reduce the volume of solid waste taken to landfills.

Roads and Streets

The construction, maintenance and improvements of the road and street network are the most expensive area of the various transportation related expenditures (other transportation related expenses are addressed in Miscellaneous Expenses). Specific expense areas associated with the road and street network include roadway and right of way operations and maintenance, roadway and right of way drainage, street lighting, traffic signage and signalization, pavement markings, traffic engineering and bridge maintenance.

Municipal road responsibilities are assigned by the state of Florida through a system termed "functional classification." The functional classification system specifies that municipalities are responsible for the city street network. Basically, this includes all local residential streets, and short-distance connecting roads. It does not include roads, which are part of the state highway system, even though they may fall within municipal boundaries.

Stormwater and Environment

This category includes only the master drainage system, flood control and environmental related expenses incurred by the municipal government. It does not include the costs associated with stormwater runoff attributable to roads, streets or roadside drainage.

In the past, stormwater-related functions were traditionally handled as a general government service funded through the municipality's general fund. Recently some local governments have established a stormwater function as a full-fledged utility operation. The utility is placed in a separate enterprise fund with revenues generated from monthly billings on the municipality's traditional water and sewer bills or as a separate stormwater bill.

Economic Improvement

The economic improvement category is a collection of related services associated with developing and improving the economic condition of the municipality and its residents. It includes programs such as: employment training, job search, downtown and industrial development/improvement, housing and urban development, etc. These expenses are related only to those programs directly served by the municipality and exclude those performed by independent districts and authorities, which often are located within and named after the municipality.

Human Services

Human service expenditures pertain to those costs associated with the provision for the care, treatment and control of human illness, injury or handicap, and for the welfare of the municipality and its residents. This category includes all municipal costs to operate hospitals, health and rehabilitation, diagnosis and treatment of mental illness, and economic assistance to the indigent.

The function of human service assistance is primarily funded and administered by county agencies (as a function of state government) and by independent authorities and districts.

Culture and Recreation

Culture and recreation is a general category combining the expenditures of libraries, parks, recreation, cultural services, special events and special recreation facilities.

Debt Service

Debt Service is shown as a separate category due to the reporting requirements of the Florida Comptroller's Local Government Financial Report, which shows it separately rather than by functional category. This category reflects those funds spent toward principal, interest, and various handling fees associated with municipal bond issues.

The four basic forms of long-term debt are: general obligation (G.O.) bonds, revenue bonds, general revenue bonds and special tax bonds.

G.O. bonds also are known as "full faith and credit bonds" because their repayment is unconditional and based on general credit and taxing powers of the borrowing government. Since the power to levy and collect property taxes provides the basic security to these bonds, they require voter approval. G.O. bonds generally carry the lowest interest rates, and typically are used to finance general-purpose public buildings, roads, and criminal justice complexes.

Another form is a revenue bond. These are obligations in which repayment of debt service is entirely from user fees of an enterprise operation. The most common municipal issues are for water, wastewater, electric, parking garages, civic centers, stadiums and airports.

A third type of long-term debt is a general revenue bond. This is a cross between a G.O. and a revenue bond. Like a revenue bond, it does not require a referendum; yet like a G.O. bond, it has the full faith and credit of a specific or a percentage of all general funds, non-ad valorem revenues.

A final type is the special tax bond. It, too, is similar to a G.O. bond in that it often is used for general government purposes and the repayment revenue is from a source unrelated to the project. Special tax bonds are payable from a specifically pledged tax, usually a local option sales tax or tourist tax.

Miscellaneous Expense

This category consists primarily of smaller budget functions or those, which are not widely utilized by a significant number of municipalities. These include airports, port facilities, commercial docks, mass transit systems, traffic flow enhancement services, parking facilities and miscellaneous general government services not itemized within that category.

Findings for Expenditure Analysis

This report includes administrative and finance expenditures, an additional contract cost for growth management, code enforcement, professional planning services, and general government support from Martin County during the initial year. These expenditures are for a combination of municipal employees and contractual services as shown below.

Municipal Employees

Position	Proposed Salary
City Manager	\$115,000
Assistant City Manager Contract Specialist	105,000
Finance Director/Comptroller	85,000
City Clerk/Treasurer	55,000
Administrative Assistant	<u>35,000</u>
Total Salaries	\$395,000
<u>Benefits @ 35%</u>	<u>138,250</u>
Total Salary and Benefits	\$533,250

Contractual Services

Contract Services	Proposed Cost
Legal Services	\$100,000
Growth Management	\$75,000
Professional Services	\$75,000
Total	\$250,000

The projected salaries for administrative staff are within the average salary for Florida cities with population between 5,000 and 10,000 residents. The projected contract costs for growth management, planning and code compliance could employ one full-time planner and operating costs, rather than contracting for services.

The proposed administrative and finance expenditures can be delineated as follows:

Personnel w/benefits	\$533,250
Operating overhead @ 25% of Salaries	117,300
Insurance	75,000
Local elections (First year only)	65,000
Audit	35,000
Capital (one time)	175,000
Contingency @ 0.083%	68,800
Total	\$1,069,350

The above costs include all relevant expenditure categories and coupled with one month of expenses contingency factor, appear reasonable to assume the administrative and financial activities for the Village of Indiantown.

The final major expenditure category--parks and recreation--will continue to be provided through an interlocal agreement with Martin County or a private sector vendor and be paid for with Indiantown general revenues after the initial fiscal year.

The following is the first year (FY/2018 for 6 months) projections for revenues and expenditures necessary for the Village of Indiantown.

Revenues

State Shared Revenue	\$335,318
Franchise Fees	186,339
Communication Services Tax	36,078
Interest Earnings Business Tax and Licenses	25,000
Ad Valorem Property Taxes	0
Bridge Loan	1,000,000
Total	\$1,582,735

Expenditures

Salary and Benefits	\$266,625
Mayor and City Council Salary	25,000
Contract Services	125,000
Operations/Rent	58,650
Insurance	37,500
Local Elections	65,000
Audit	35,000
Capital Equipment (One Time)	175,000
Contingency	46,250
Bridge Loan Payment	107,820
Total	\$941,845

Possible Reserve/(Deficit) \$640,890

This projection shows the cost of operating the new local government is not covered by the redirection of existing State Shared Revenues, Franchise Fees and Communication Services Tax. The new Village will have to take out a Bridge Loan during the first six months. The Bridge Loan contemplates a 3% APR and a five year payback schedule.

It is projected during the second year FY 2019 the city would receive \$5,983,392 in ad valorem tax dollars using the present millage levied by Martin County. The Village could produce additional saving by contracting with Martin County to provide the services through an interlocal agreement or use a private sector vendors. This projection is supported by the existing amounts other cities currently pay Martin County for Fire and EMS services through interlocal agreement which is well below what the city residents would pay if they paid into the County's Fire and Rescue MSTU.

Task 5
A PRO FORMA PRESENTATION OF
REVENUE/EXPENSE FORECASTED
FOR A FIVE YEAR PERIOD

The purpose of a multi-year forecast is to estimate city revenues and expenditures over a designated period--usually five to ten years. Most local governments preparing a fiscal forecast use it as a tool for preparing and executing an annual budget. This type of annual or short term forecasting is necessary for a municipality to maintain a balanced budget.

Long-term fiscal forecasts are conducted for two main reasons.

1) Multi-year forecasts often show that fiscal adjustments might be needed to balance future budgets. When expenditures are projected to exceed revenues, measures must be taken to correct the imbalance. This process is called gap analysis.

2) Multi-year forecasts can help decision makers quantify and evaluate potential impacts of today's policy decision. This process is referred to as impact analysis. The multi-year fiscal forecast for Indiantown is designed to assist the community in accomplishing the following objectives:

- To indicate to the parties in the incorporation process the presence of systematic financial planning.
- To serve as an aid to all parties in the incorporation process in the anticipation of future fiscal issues, enabling corrective action to be taken where necessary
- To assist all parties in operations planning
- To strengthen estimates of revenues and expenditures in the annual budget process

Benefits and Limitations

Benefits of Forecasting

The major benefits of multi-year forecasting include:

- Identification of possible consequences of various economic policy scenarios
- Identification of future fiscal problems
- Development of sound financial management policies and practices
- Provision of information to all parties in the incorporation process (government agencies, the press, business, community, neighborhood organizations and the general public) that explains the relationship between program expansion and anticipated

revenues

Limitations of Forecasting

Multi-year forecasts have the following inherent limitations.

1) Forecasts are not entirely accurate in predicting what actual revenues and expenditures will be in a particular year. Since a forecast is based on current trends, estimates may be imprecise if economic and/or financial assumptions change. Therefore, forecasts must be revised when key variable such as inflation, interest rates or business climates change unexpectedly.

2) The unlikely event that an actual budget deficit will occur is a second factor that undermines the accuracy of forecasts. State law mandates local governments to balance their budgets. But forecasting methods do not anticipate municipal decisions that close budget gaps and prevent deficits.

This study has developed a Five-year financial projection for an incorporated Village of Indiantown based on fiscal years 2018 through 2022. BJM Consulting, Inc. developed the assumptions used in this financial forecast.

Population

The current permanent population is estimated at 5,717 and total population (with seasonal residents) is estimated to approach 9,000. The growth in population is projected to increase at an annual rate of 2% to 6,200 in FY 2022, with a service population of 10,000. This projection is consistent with recent growth patterns in the area.

Property Tax Base

The property tax base is projected to increase an average of 3% percent per year from FY 2019 through FY 2022. The taxable assessed value in the Village of Indiantown is projected at \$1,997,623,663 for fiscal year 2019 and is expected to increase to \$2,182,857,312 in fiscal year 2022. The initial FY 2019 projection uses the FY 2017 property taxable value with no initial increase for growth or new construction.

Expenditures

Expenditures for growth management, planning/code compliance are all proposed to be provided by the following agencies:

Service

Provider

Average Annual

Other Contract Services	Others	Increase 3%
County Contract Services	Martin Government	3%

The annual increases for these services may fluctuate from year to year due to timing of one-time capital purchases.

Internal administrative and finance services increase approximately 3 percent each year. In addition, an annual 8.3 percent contingency factor (equivalent to one month's expenses) has been included.

Revenues

The forecast assumes the following Village of Indiantown millage rate and property tax revenues:

Fiscal Year	Millage Rate	Property Tax Revenues @ 95%
2018	0	\$0
2019	3.1529	\$5,983,392
2020	3.1529	\$6,162,894
2021	3.1529	\$6,347,781
2022	3.1529	\$6,538,214

This is based on budgeting 95 percent of projected ad valorem tax revenue, which is generally accepted by Florida municipal finance officers as a prudent practice. The initial FY 2019 projection uses the FY 2017 property taxable value with no initial increase for growth or new construction.

State shared revenues are estimated as:

Fiscal Year	Projected Revenue (3% annual increase)
2018	\$335,318
2019	\$690,755
2020	\$722,839
2021	\$744,524
2022	\$766,860

The FY 2019 projection uses the FY 2017 SSR value with no initial increase value for growth in population.

Franchise Fees are estimated as:

Fiscal Year	Projected Revenue (3% annual increase)
2018	\$186,339
2019	\$383,858
2020	\$395,374
2021	\$407,235
2022	\$419,452

The FY 2018 projection for Franchise Fees uses the Martin County FY 2017 number with no initial increase value for growth in population.

Communication Services Tax are estimated as:

Fiscal Year	Projected Revenue (3% annual increase)
2018	\$72,157
2019	\$74,322
2020	\$76,551
2021	\$78,848
2022	\$81,213

The FY 2018 projection for Communication Services Tax uses the Martin County FY 2017 number with no initial increase value for growth in population.

The forecast does not include any revenues from court fines or building permits, as they will continue to go to Martin County or private sector vendor for services rendered.

Interest earnings, Business Taxes Receipts are anticipated to be \$12,500 in fiscal year 2018 and \$50,000 in FY 2019 through FY 2022.

Expenses

Village of Indiantown Local Government Expense

Fiscal Year	Projected Cost (3% annual increase)
2018	\$ 834,025
2019	\$1,230,181
2020	\$1,267,086
2021	\$1,305,098
2022	\$1,334,251

The cost of all the County Interlocal Agreement for Fire, Parks & Recreation, Stormwater and Roads are projected to increase annually by 3%.

Village of Indiantown 5 year Fiscal Forecast if Local Bill is passed with SSR reporting waiver and Interlocal with County for the collection of the Communication Service Tax (Best Case Scenario)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues					
State Shared Revenue	\$ 335,318	\$ 690,755	\$ 711,478	\$ 732,822	\$ 754,807
Franchise Fees	\$ 186,339	\$ 383,858	\$ 395,374	\$ 407,235	\$ 419,452
Communication Services Tax	\$ 36,078	\$ 74,322	\$ 76,551	\$ 78,848	\$ 81,213
Interest Earnings and Business Tax Receipts	\$ 25,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Ad Valorem Property Taxes @ 3.1529		\$5,983,392	\$6,162,894	\$ 6,347,781	\$ 6,538,214
Bridge Loan	\$1,000,000				
Total Revenues	\$ 1,582,735	\$ 7,182,327	\$ 7,396,297	\$ 7,616,686	\$ 7,843,686
Expenses					
Indian Town Local Government	\$ 834,025	\$ 1,230,181	\$ 1,267,086	\$ 1,305,098	\$ 1,344,251
Fire Interlocal with County		\$ 1,378,080	\$ 1,419,423	\$ 1,462,006	\$ 1,505,866
Parks and Rec Interlocal with County		\$ 91,792	\$ 94,545	\$ 97,382	\$ 100,303
Stormwater Interlocal with County		\$ 154,757	\$ 159,400	\$ 164,182	\$ 169,107
Roads Interlocal with County		\$ 208,553	\$ 214,810	\$ 221,254	\$ 227,891
Loan Payments	\$ 107,820	\$ 215,640	\$ 215,640	\$ 215,640	\$ 323,460
Total Expenses	\$ 941,845	\$ 3,279,003	\$ 3,370,904	\$ 3,465,562	\$ 3,670,878
Reserve/(Deficit)	\$ 640,890	\$ 3,903,324	\$ 4,025,393	\$ 4,151,124	\$ 4,172,808
Cumulative Reserves		\$ 4,544,214	\$ 8,569,607	\$ 12,720,731	\$ 16,893,539

Village of Indiantown 5 year Fiscal Forecast if Local Bill is passed without either SSR reporting waiver and Interlocal with County for the collection of the Communication Service Tax (Worst Case Scenario)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues					
State Shared Revenue		\$ 518,067	\$ 711,478	\$ 732,822	\$ 754,807
Franchise Fees	\$ 186,339	\$ 383,858	\$ 395,374	\$ 407,235	\$ 419,452
Communication Services Tax		\$ 55,741	\$ 76,551	\$ 78,848	\$ 81,213
Interest Earnings and Business Tax Receipts	\$ 25,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Ad Valorem Property Taxes @ 3.1529		\$5,983,392	\$6,162,894	\$ 6,347,781	\$ 6,538,214
Bridge Loan	\$1,000,000				
Total Revenues	\$ 1,211,339	\$6,991,058	\$7,396,297	\$ 7,616,686	\$ 7,843,686
Expenses					
Indian Town Local Government	\$ 834,025	\$1,230,181	\$1,267,086	\$ 1,305,098	\$ 1,344,251
Fire Interlocal with County		\$1,378,080	\$1,419,423	\$ 1,462,006	\$ 1,505,866
Parks and Rec Interlocal with County		\$ 91,792	\$ 94,545	\$ 97,382	\$ 100,303
Stormwater Interlocal with County		\$ 154,757	\$ 159,400	\$ 164,182	\$ 169,107
Roads Interlocal with County		\$ 208,553	\$ 214,810	\$ 221,254	\$ 227,891
Loan Payments	\$ 107,820	\$ 215,640	\$ 215,640	\$ 215,640	\$ 323,460
Total Expenses	\$ 941,845	\$3,279,003	\$3,370,904	\$ 3,465,562	\$ 3,670,878
Reserve/(Deficit)	\$ 269,494	\$3,712,055	\$4,025,393	\$ 4,151,124	\$ 4,172,808
Cumulative Reserves		\$3,981,549	\$8,006,942	\$ 12,158,066	\$ 16,330,874

If this scenario were to happen the proponent of incorporation could request the Bill sponsor to table or withdraw the bill.

Village of Indiantown 5 year Fiscal Forecast if Local Bill is passed with SSR reporting waiver and without an Interlocal with County for the collection of the Communication Service Tax (Middle Case Scenario)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues					
State Shared Revenue	\$ 335,318	\$ 690,755	\$ 711,478	\$ 732,822	\$ 754,807
Franchise Fees	\$ 186,339	\$ 383,858	\$ 395,374	\$ 407,235	\$ 419,452
Communication Services Tax		\$ 55,741	\$ 76,551	\$ 78,848	\$ 81,213
Interest Earnings and Business Tax Receipts	\$ 25,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Ad Valorem Property Taxes @ 3.1529		\$5,983,392	\$6,162,894	\$ 6,347,781	\$ 6,538,214
Bridge Loan	\$1,000,000				
Total Revenues	\$ 1,546,657	\$ 7,163,746	\$ 7,396,297	\$ 7,616,686	\$ 7,843,686
Expenses					
Indian Town Local Government	\$ 834,025	\$ 1,230,181	\$ 1,267,086	\$ 1,305,098	\$ 1,344,251
Fire Interlocal with County		\$ 1,378,080	\$ 1,419,423	\$ 1,462,006	\$ 1,505,866
Parks and Rec Interlocal with County		\$ 91,792	\$ 94,545	\$ 97,382	\$ 100,303
Stormwater Interlocal with County		\$ 154,757	\$ 159,400	\$ 164,182	\$ 169,107
Roads Interlocal with County		\$ 208,553	\$ 214,810	\$ 221,254	\$ 227,891
Loan Payments	\$ 107,820	\$ 215,640	\$ 215,640	\$ 215,640	\$ 323,460
Total Expenses	\$ 941,845	\$ 3,279,003	\$ 3,370,904	\$ 3,465,562	\$ 3,670,878
Reserve/(Deficit)	\$ 604,812	\$ 3,884,743	\$ 4,025,393	\$ 4,151,124	\$ 4,172,808
Cumulative Reserves		\$ 4,489,555	\$ 8,514,948	\$ 12,666,072	\$ 16,838,880

Impact on the Property Owner

The following is intended to give Indiantown property owners a better idea of the impact incorporation will have in terms of property taxes they will pay.

The study clearly shows the Village of Indiantown, using the same property tax rate currently being proposed for Indiantown residents by Martin County for FY 2017, will develop a reserve over the first five years after incorporation. It will be up to the elected officials of Indiantown to decide what to do with these reserve funds, if anything.

The possible options are:

- **Reduce the Village tax millage which will lower the property taxes collected from Indiantown property owners and reduce the reserves**
- **Establish higher levels of service for things like additional code enforcement, police, economic development, road maintenance, or parks and recreation, raising the annual cost of local government and reduce the reserves**
- **Establish new public services creating new cost centers for local government and reduce the reserves**
- **Create a local Capital Improvement Plan and use the available dollars to build capital projects and reduce the reserves**
- **Allow the reserve to remain as projected providing a financial safety net for the community's future.**
- **Some combination of the foregoing options.**

The short-term financial position is due to the majority of municipal services being delivered through contractual relationships with the County or private sector vendors and Indiantown's substantial property tax base.

The Village's revenues are augmented in FY 2018 by a \$1,000,000 bridge loan. This is necessary in the first year of incorporation because the new Village will not have the ability to collect property taxes. Once property tax revenues are part of the revenue stream in the second year, FY 2019, its great tax base due to the industrial tax payers in the community allows the Village to start building reserves in its second year of existence.

The Village could choose to pay back the \$1,000,000 Bridge Loan in the second year and reduce the annual expenses for the next three (3) years of Incorporation. This would reduce the available reserves and could cause a problem if the Village was hit with a natural disaster.