

**Lee County Board Of County Commissioners
Agenda Item Summary**

Blue Sheet No. 20020702

1. REQUESTED MOTION:

ACTION REQUESTED: Special presentation by Smart Growth Director, Wayne Daltry, on "Smart Financing".

WHY ACTION IS NECESSARY: Presentation was suggested by County Administration and accepted by the Board of County Commissioners at the 6/12/02 Budget Workshop in response to questions presented by the Estero Concerned Citizens Organization (ECCO).

WHAT ACTION ACCOMPLISHES: Continues the discussion on levels of service throughout the County.

2. DEPARTMENTAL CATEGORY:
COMMISSION DISTRICT #

10:00

3. MEETING DATE:

07-09-2002

4. AGENDA:

- CONSENT
 - ADMINISTRATIVE
 - APPEALS
 - PUBLIC
 - WALK ON
- TIME REQUIRED:

5. REQUIREMENT/PURPOSE:
(Specify)

- STATUTE
- ORDINANCE
- ADMIN. CODE
- OTHER

6. REQUESTOR OF INFORMATION:

- A. COMMISSIONER _____
- B. DEPARTMENT County Administration
- C. DIVISION _____

BY: Donald D. Stilwell, County Manager

7. BACKGROUND:

8. MANAGEMENT RECOMMENDATIONS:

9. RECOMMENDED APPROVAL:

A Department Director	B Purchasing or Contracts	C Human Resources	D Other	E County Attorney	F Budget Services			G County Manager
	N/A	N/A	N/A		OM	Risk	GC	
					6/13/02	6/12/02	6/12/02	6-12-02

10. COMMISSION ACTION:

- APPROVED
- DENIED
- DEFERRED
- OTHER - CONTINUED TO 7/9/02 MTC

on 6/25/02

RECEIVED BY
COUNTY ADMIN.
6/12/02 455
FORWARDED TO:
COUNTY ADMIN.
6/13/02 1230pm

REC'D
by CO. ATTY.
4:35 PM
CO. ATTY
FORWARDED TO:
6/12/02
CSOP

AGENDA UPDATE

FROM



DIVISION OF PUBLIC RESOURCES

MEETING OF JUNE 25, 2002

RE: Administrative 1(a)-SMART FINANCING PRESENTATION

Attached please find additional back up for the above referenced agenda item. Please place this in your Agenda Book.

Thank you.

**END TO: BOARD - ALBION JUDAH COY JAMES ST. CERNY
DONALD STILWELL, COUNTY MANAGER
BILL HAMMOND, DEPUTY COUNTY MANAGER
BRUCE LOUCKS, ASSISTANT COUNTY MANAGER
ANTONIO MAJUL, BUDGET SERVICES
JAMES LAVENDER, PUBLIC WORKS
JAMES YAEGER, COUNTY ATTORNEY
LISA PIERCE, MINUTES DEPARTMENT
PUBLIC RESOURCES OFFICE
COMMISSION RECEPTION DESK**

DATE DISTRIBUTED: June 24, 2002

TIME DISTRIBUTED: 9:00 AM

SMART FISCAL STRUCTURE

We must spend money to make money. This basic thesis for economic prosperity drives public investment and service programs. In order to get quality development that provides quality jobs, the public must offer quality service and invest in providing and maintaining quality infrastructure. This is an area that prospers because it provides a desirable setting for people with discretionary capital to relocate homes and businesses. These relocations occur because the places they come to offer advantages that they did not have where they were formerly at. These relocations have been occurring all over the County. Few places are left behind because the County has been acting to provide satisfactory services throughout the areas expected or desired to have growth.

Elsewhere. It has been well documented that the flow of the middle class to the suburbs has been a major contributor to the fiscal distress of the Nation's older cities. This flow of people and capital has in the opinion of cities robbed them of fiscal resources. This has in turn led to their joint lobbying of the Federal government for more fiscal resources, which are provided through National taxation.

A commonly recommended solution for the problem of the cities is a more equitable system of taxation-regional taxing structures that include the rich suburbs with the poorer cities. The purpose of the regional tax structure is to ensure some basic equity in capital infrastructure and social service provision-a safety net consistent with public health, safety, and welfare.

Locally. Lee County as a whole has benefitted from that flight-since retirees with capital has fueled our growth and economic development. We have become a distant suburb to many northeast and midwest communities.

We have also locally recreated the dilemma of the older cities. Fort Myers, the County's oldest city, had 80% of the County population and an equivalent amount of the tax base in 1950. Today, the City has 10% of the population and only about 6% of the tax base. Incomes are similarly lower. The new suburbs that buttress Fort Myers or have been created elsewhere in the County are not from people leaving Fort Myers but from just locating next to it.

Our pending dilemma is also somewhat different. We have in place the recommendation often made elsewhere-we have a regional tax structure-the Board of County Commissioners. Florida's counties have powers unusual for counties throughout the nation: they can serve -and must serve- as city councils and as regional resource and service entities. In a fairly broad array of fiscal tools is a bifurcated property tax capability-one ability to tax to provide county wide services, and a second ability to tax smaller areas of the county for local services.

This bifurcation has resulted from a series of lawsuits over double taxation-one way to initiate tax reform! To quickly summarize the results, a general areawide revenue source should not be used for one shot local projects-unless all localities get it. Within its constitutional powers a County may provide within cities services that cities also provide (a county road; support of the health department; sheriff patrols) through a county wide tax, but cannot use a county wide tax to

provide service only in unincorporated areas.

The County BoCC in its role as City Council for the unincorporated areas has developed a "core level of service" concept. The cost of providing the same level of street maintenance, park support, storm water management, code enforcement, etc, for the entire unincorporated County is estimated and funding is provided through taxation for the entire unincorporated County. Beyond this core level, unincorporated areas wanting higher levels of service have tailored for them site specific MSBUs by which funds are raised, expended and results held accountable. (Under Smart Growth and the Smart Growth Committee, this will be more fully developed) *Note: The County BoCC also operates numerous enterprise activities which are funded by users, independent of the Core Level of Service and Expanded Level of Service programs. The Airport Authority is one such example.* It should be noted that in the capacity of City Council, the BoCC enters into a large number of interlocal agreements with cities and other agencies to provide service. The most pervasive of these is the County role in being the lead agent for the cities, FDOT, and the independent districts in NPDES permitting.

The County BoCC as a "regional" body provides services throughout the geographic boundary of Lee County. The most pervasive example is its role in funding the County Constitutional Officers, by which the Property Appraiser, Sheriff, Tax Collector, Clerk of Courts/Court System, and Supervisor of Elections get assured their funding. (In return a number of charges for services are levied by these entities, reducing actual revenues raised by BoCC taxation). A remarkable time sensitive example of this role is Public Safety/Civil Defense/All Hazards Planning and management, in which the County role is dominant over city activity.

Recent Events. After two decades, the County is undergoing a new round of incorporations, with more discussed. The last two incorporations have been in high value/per capita areas, bringing to the County a total 5 cities, three with high values and low populations (equal to about 10% of the county population) and two with low values and high populations (equal to about 30% of the County population). The last two incorporations have unbalanced the county unincorporated revenues (not just from MSTU sources).

The focus today is the MSTU. The MSTU, though, is used to balance the "core level of service" given to all areas, including wealthy and poor. The concern is that if incorporations continue (as well as annexations), Lee County BoCC as the City Council will be left with the poorer areas to support. The common response nationally has been to either raise taxes -on those who can afford it the lest-or to lower services. Lowering services would have the result in promoting deteriorating conditions, often at the doorstep of the wealthier areas. This reenacts the dilemmas of America's older communities-from which so many of our residents relocated.

Failure to provide services is an economic stagnation or deterioration strategy. (*We must spend money to make money.*) The County's economy depends upon high quality natural resources (not commonly found within municipal boundaries or as a municipal planning issue) and a social quality of life wherein social controversy-related to poverty, gangs, and ghettos-is minimal. If the area consciously moves toward a financing strategy to strap the only entity acting to provide systematic resource management and social safety nets, the results are foreordained. (This is what happened to Jacksonville, leading to its total restructuring. Jacksonville's population when

this happened is comparable to what Lee's is now. It may be what is happening to Miami-Dade.) However, we do not have to choose the options commonly provided and described above. County powers are county-wide-with restrictions. Lee County is also a charter County-things can be established through referenda. There is also a third option that enables new municipalities to have home rule while keeping intact the County's ability to maintain social equity and quality economic and environmental programs. (Referred to as "Government lite.") A fourth option may come out of "smart growth" -adding dimension and geographic coverage by building upon the nascent community plans underway (more on this further on).

County "as City" Fiscal Structure. In examining the County "as a city" fiscal structure, it is necessary to understand the nature of the finances, and the nature of "the City."

Finances Finances consist of revenues and expenditures.

The revenues come in from a variety of sources, with ad valorem taxes being the largest, but only about 1/3th of the cash total. Charges for services, "miscellaneous revenues", intergovernmental revenues, other taxes (such as gas tax) and court cost charges make up the remainder.

Ad valorem taxation is the revenue source with which the county has the greatest flexibility. Most other sources require a nexus between source and expense, or are dedicated to particular use. The flexibility the County has with ad valorem taxation is restricted, however, between certain requirements expected of County government as stated in the Florida Constitution and in general law. It is further restricted by performance requirements imposed by the Legislature and also enacted into general law in the use of these funds. Finally, there is a body of Court interpretations of Constitutional and general law that the Legislature has let stand that also guides the use of Ad valorem tax powers.

Regarding Ad valorem taxes, the general fund makes up the largest part, special revenues (which is primarily the unincorporated MSTU-less than half of the total of this category- and the various MSBUs) is the next largest, and property tax based assessment districts make up the remainder.

Expenditures are allocated by department and agency and is undertaken in accord with County ordinances and general law. The County budget goes into great detail in where and by which agencies these expenditures take place. In general, though, the budget focuses on the County as a whole, as the unincorporated MSTU, or as special enterprises. The County budgeting generally does not focus on individual communities.

What constitutes a community? Community is a sense of place. It typically is considered the place where a person commonly spends his or her day. In transportation terms, it is made up of where you live, where you work, and where you get your daily needs met. (School, shopping, common leisure, and so forth). If an unbroken line was drawn around these places, that would be the geographical extent of your community.

When more than one person is involved-say the people in a neighborhood or in a place of work-in defining a community, the area of coverage grows markedly. Again using transportation as an

example, a community exists when there is a recognizable pattern of trips produced being tied to trips attracted. Since Lee County is fairly diverse, this pattern is often quite spread out-and overlapping with other patterns. Consequently, describing a specific small geographic area as a community may not be correct if the people who live there don't work there, and those who work there do not live there. *(Yet, most "smart growth" and "new urbanist" literature operates under the presumption that there is a short geographic tie between work and home)*

That problem exists for the more "well to do" communities nationwide. They effectively exclude the workers through the cost of housing, creating an imbalance or an incomplete community, and resulting in the twice daily rush hour migrations of in and out. This complicates the issues of governance/government.

"Government" -commonly local government- has the responsibility (health, safety, welfare) to ensure communities can function. In simplest terms, the local government should have a transportation system of reasonable reliability that enables workers to get to jobs, and consumers to services. The places of work and the homes of workers should exist in a social service network that enables them to be able to perform work. That thesis is the basic proposition by which Lee County provides services, and it involves the use of the diverse financial tools available.

So what does a "Government" do when it covers an 800 square mile area, and most people consider good government begins at their driveway! Government begins to evaluate other tools of governance. The concept evolving in Lee County is community-based plans.

Community-based plans. Lee County has had community based plans before, and has some underway now (Estero, Pine Island, Lehigh, Alva, Bayshore, Buckingham, all serve as examples.) However, implementing the plans through the budgeting system in any sustainable way has not occurred. There are several reasons-1. Such local efforts do not cover the entire county; 2. They are often driven by land use concerns and not as much by systematic service provision needs; 3. "Community Character" is difficult to predict as an ongoing budget consideration; and, 4. Under the core level of service concept, extraordinary expenditures are to be addressed thru an additional MSBU.

A key component of Smart Growth is the recognition that "one size does not fit all," even if the area under discussion is a solitary county. Each place must be recognized for its characteristics, and efforts to "smarten up" the community must be sustainable through reliably available fiscal tools. The implication for this is that the County budgeting process must develop another facet-for want of a better phrase, the community based investment budget.

Community based investment budget. So there is county wide budgets, unincorporated MSTU budgets, enterprise budgets, impact fee related capital budgets, special MSBU budgets, and now we need a community based investment budget?! Simply said, yes.

Smart Growth requires a vision that is "personal"-i.e., applicable to a specific place. That applicability is why most efforts are undertaken by entities with special fiscal tools-Community

Redevelopment Arcas, Downtown Development Districts, etc. The test for the County is to see if it can support community based planning, through a community based budgeting process, without having to help create extraordinary independent taxing authorities.

The Preliminary Proposal. In order to ensure equity, the County should pursue community sponsorship for community planning initiatives that cover the entire unincorporated area. Where community sponsorship is lacking, the County should ensure that basic community plans should be established for non participating areas that are at least "status quo" place holders. (NOTE: The County will need to promote and support a reliable system of community based organizations that reliably reflect or garner the community opinion and reliably represent the community.)

The purposes of the community based plans are to be both proactive and reactive. The proactive component should contain the land use, capital budget, community appearance, and maintenance programs necessary that support the community-and demonstrate that the community is being viewed as having a discrete identity that the County is supporting and implementing. The reactive component would be those code enforcement, and capital remediation actions needed to address deteriorating conditions that detract from the identity being pursued.

This will require some alteration in the budget planning process. In addition to the departments demonstrating what they need to fulfill the Board's directions for service provision (and the redirection that is given to fulfill the Board's direction regarding fiscal conservation) the Departments need to consider an areal component in their effort. And all the departments' requests for a given community will need to be compiled and analyzed for conflicts and synergy in assisting the community in achieving its plan.

The end result will be A three fold budget process-the one that exists now with expenditures and revenues as line items; one which has a geographic component depicting where expenditures are occurring countywide (which is provided usually in the presentations to the BoCC and the MPO) that can be considered "regional" in scope; and, one that "cross cuts" the capital and remarkable operations/maintenance programs into discrete communities. (This latter approach is not unlike the reports that come out of the Legislature after the session is over).

The "cross cut" report could have four components-part one being derived from the County's comprehensive plan, part two being derived from the community based plan which expands and adds detail to the County plan; part three being derived from the County budget, and part four being the unmet needs of the community plan. Each year, an annual report would be presented that demonstrates progress towards implementing the community based plan based upon current budgeting practices, and how additional progress can be achieved through additional effort (or revenue sources).

It is expected that the Community Based plans, developed county wide, will demonstrate that current county fiscal resources will only go so far. To move faster in plan implementation or to achieve a higher level of service, two basic options exist- increase the base -core- level of service county wide, or establish a sustainable MSBU for Plan implementation. This latter option fulfills the next step of the county fiscal plan,

but with substance and measurable results set forth through a planning process.