

**Staff Report
Gifford Expense Analysis –
Estimated Portion of Total Budget**

(Fiscal Year 2013/14)

DRAFT

Background

On January 21, 2014, Althea McKenzie made a presentation to the Board of County Commissioners regarding the Gifford Neighborhood Plan. During this presentation, Ms. McKenzie presented a document she had completed which calculated that the County was only expending between 0.2% and 1.0% of the total budget in the Gifford area. An extensive discussion regarding the County's provision of services and infrastructure in Gifford followed. Ms. McKenzie asserted that the County was underserving Gifford. In support of this point, it was asserted that the residents were paying more in taxes than the County was spending in the area and that the area did not receive services in proportion to the other areas of the County. Staff has prepared an analysis of County revenues and expenses associated with the Gifford area in an effort to address some of the concerns raised by Ms. McKenzie.

For many years, Gifford community leaders have requested an accounting of projects completed in Gifford. The Office of Management & Budget periodically provides a report of these expenditures ("Gifford Expenses" report). It appears that the annual totals from this report were used as the basis for analyzing the County's expenditures on Gifford in the document presented by Ms. McKenzie on January 21, 2014. These amounts (\$463,824 for fiscal year 2012/13) were divided by the total County budget to arrive at a percentage of the total budget expended for Gifford. This analysis is flawed. The "Gifford Expenses" report was not intended to provide the total of all County expenses for Gifford. This report focuses primarily on capital improvements and operating expenses associated with those improvements in the Gifford area.

Valuing Government Services – Challenges and Limitations

The question of whether taxpayers are receiving value from the taxes paid is a legitimate concern and is asked frequently by taxpayers. However, it can be difficult to quantify the value received by taxpayers individually or collectively in a neighborhood. Most of the services provided by government, including Indian River County, are public goods (e.g. law enforcement, fire protection, road construction and maintenance, etc.). These services are available for use by all citizens and even visitors to the area.

The actual value of public goods (services) for each individual or neighborhood is difficult to measure, and can only be estimated based upon an allocation of expenses based upon some metric (e.g. population, calls for service, usage of service, etc.). Such analyses always have limitations. For example, Fire Rescue expenses may be valued and allocated to an area based upon the number of calls for service. However, each individual may value these services differently.

It should be noted that taxes are not fees for service. According to the Merriam-Webster dictionary, tax is defined as:

"an amount of money that a government requires people to pay according to their income, the value of their property, etc., and that is used to pay for the things done by the government."

Additionally, Merriam-Webster's definition provides:

"Taxes are a general obligation of taxpayers and are not paid in exchange for any specific benefit."

It is important for proper government and fiscal management to ensure that tax dollars are expended efficiently, and that the taxpayers receive a good level of service for their tax dollars. However, payment of a tax is not a fee for service and there is no guarantee that a taxpayer receives services equivalent to the amount of tax paid. For example, all property owners in the County pay school district taxes. Many of these taxpayers have no children in the school system. Others that pay a

similar amount of taxes may have several children in public schools. While the two groups of taxpayers in this scenario paid the same amount, they are not receiving the same benefit.

For the reasons stated above, staff is typically reluctant to perform an analysis of the dollar amount of government services provided to any one taxpayer or group of taxpayers. These exercises have limitations and it is inherently divisive and unproductive to attempt making distinctions between the benefits received by different individuals or neighborhoods within the County. However, staff has developed the attached analysis in an effort to address the concern that Gifford may not be receiving a fair level of service from the County.

Analysis and Methodology

Staff has prepared the attached analysis to estimate the amount of County expenses benefitting the Gifford neighborhood. This analysis is based upon the fiscal year 2013/14 budget. Where possible, expenses have been assigned based upon a metric that indicates the usage of such services. For example, the transit system expenses were allocated based upon the number of boardings and alightings within Gifford. According to a survey of Go-Line ridership activity from 2012, an average of 6,026 boardings and alightings occur on the Go-Line during a typical weekday. Of those 6,026 boardings and alightings each day, an average of 753 boardings and alightings occur in Gifford. This represents 12.5% of boardings and alightings, excluding transfers. Therefore, 12.5% of the expenses of the transit system were allocated to Gifford for purposes of the analysis.

Fire Rescue expenses were allocated based upon the number of calls for service within Gifford as a percentage of the total calls for service within the County (excluding the Town of Indian River Shores, which provides its own Fire Rescue services). For calendar year 2013, Fire Rescue received 1,262 calls for service in the Gifford area out of 25,923 total calls for service. This represents 4.9% of the total calls for service. Therefore, 4.9% of Fire Rescue expenses were allocated to Gifford in the analysis. Staff has requested a breakdown of Sheriff's Office expenses for Gifford, but has not received this information as of this date. In an effort to provide a timely response, staff has allocated expenses to the Gifford area based upon the percentage of population. As additional information is received, the analysis will be updated in the future.

In instances where a metric showing the usage of a service was not available, the expenses were allocated based upon population according to the 2010 census.

The total approved fiscal year 2013/14 budget is \$255,107,975. Staff has deducted interfund transfers and charges (G&A expense, insurance charges, fleet charges) totaling \$49,571,228 from the original amount as these items are counted twice in the total. Such entries need to be removed to avoid "double counting" expenditures.

Enterprise Fund expenses (\$52,795,420) have been deducted from the total budget as well. These funds (Utilities, Building, and Golf Course) charge user fees to cover expenses and are not funded from taxes. For example, each Utilities customer is charged the same rate for their water consumption regardless of their location in the County. Each fund is fully supported by user fees and there is no contribution from the taxpayers to support these operations. Since the focus of this analysis is on the expenditure of tax dollars, the Enterprise Fund expenses have been deducted from the total.

Summary and Conclusion

The analysis (attached) shows that estimated County expenses for services to Gifford total approximately \$11 million. This represents 7.2% of the total budgeted expenses of \$152.3 million (as

adjusted). This estimate (\$11 million) differs substantially from the amount shown in the analysis presented by Ms. McKenzie on January 21, 2014 due to the inclusion of all County services rather than only the expenses identified on the "Gifford Expenses" report for reasons outlined above. Please see the table below for a comparison of the estimated expenses for selected service areas.

Service Area	FY 2013/14 Budget		
	"Gifford Expenses" report	Staff Analysis Estimate	Increase (Decrease)
Law Enforcement	\$0	\$3,619,336	\$3,619,336
Fire Rescue	\$0	\$1,222,879	\$1,222,879
Go-Line (transit)	\$0	\$77,559	\$77,559
Parks	\$500,000	\$137,036	(\$362,964)

As illustrated in the table above, the "Gifford Expenses" report included no law enforcement expenses for Gifford. The Sheriff's Office provides law enforcement in Gifford as well as other areas of the County. Clearly, expenditures in this service area for Gifford exceed \$0, and the analysis results in an estimate of \$3.6 million based upon population.

According to the 2010 census the population of Gifford was 9,590. The County population at the time was 138,028. Therefore, as of 2010 Gifford residents accounted for 6.9% of the total population of the County. The estimated expenses for Gifford are 7.2% of the total based upon the analysis. Therefore, estimated expenses as a percentage of the total budget are in line with (slightly above) the percentage of total population.

Staff has also estimated the amount of ad valorem taxes paid by owners of property within Gifford. For this analysis, staff used the taxable value of the Gifford Street Lighting District as the basis for the amount paid by these taxpayers. For fiscal year 2012/13, the taxable value with the Gifford Street Lighting District was about \$98.4 million. For the same year, the taxable value for the entire county was \$12.7 billion. The table below shows the property taxes by fund for Gifford and the County as a whole.

Fund Name	FY 2012/13 Taxes Levied		
	Gifford	Total Countywide	% of Total
General Fund	\$304,088	\$39,315,374	0.77%
M.S.T.U. Fund	\$105,651	\$7,482,512	1.41%
Emergency Services	\$168,798	\$17,763,664	0.95%
Land Acquisition Bond	\$37,396	\$4,834,880	0.77%
Gifford Street Lighting District	\$69,450	n/a	n/a
Total – All Taxing Funds	\$685,383	\$69,396,430	0.99%

As illustrated above, ad valorem taxes paid by Gifford area property owners equal about 1% of the total property taxes paid in the County. The estimated expenses for Gifford are 7.2% of the total based upon the analysis. Therefore, estimated expenses as a percentage of the total budget exceed the percentage of property taxes paid by the Gifford area.

In conclusion, the estimated expenditures for Gifford area residents as a percentage of the total County budget (7.2%) equals or exceeds the percentage of total population (6.9%) and taxes paid (1.0%) by area residents. Based upon these measurements, it appears that Gifford citizens are receiving services at a level proportionate with other areas of the County.