



Alachua County Local Option Fuel Tax and Transportation Funding Mediation Statement

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Alachua County Mediation Statement

Relevant Matters in the Negotiation

Background

Section 336.025, Florida Statutes, describes the manner in which local governments may levy local option motor fuel taxes. Up to 11 cents of local option fuel tax may be levied by Alachua County and distributed amongst the County and its municipalities. Currently there are three separate levies of local option fuel taxes in Alachua County. These are colloquially known as Cents 1-3, Cents 4-6 (collectively the “First Six Cents”) and the remaining five cents, otherwise known as the “Capital Nickel.” There have been long-term agreements in place for allocation of Cents 1-3 and Cents 4-6 since 1988 and a 10 year agreement on the Capital Nickel since 2008. The 4-6 Cent long-term agreement expired in 2016 and has been approved by the County Commission for two one-year extensions in which Alachua County agreed, for the purpose of obtaining each extension, to shift some of its share of the revenue to the municipalities. The largest amount of redistribution went to the City of Gainesville. All three local option fuel tax levies are now set to expire between August 31, 2018 and December 31, 2018.

Collectively, the 11 cents of local option fuel taxes generate approximately \$12,000,000 per year in Alachua County. This funding is used for the construction, maintenance and operation of the transportation system. Alachua County and its municipalities have expended fuel tax funds on design, construction and maintenance of streets, roads, bicycle lanes, trails and sidewalks, as well as for public transit service on the City of Gainesville’s Regional Transit System (RTS).

Adoption and Distribution of Local Option Fuel Taxes

Florida law provides two methods by which the local option fuel taxes may be adopted and two methods for distribution of the funds. The primary method of adoption is by a majority vote of the County Commission for the First Six Cents and a majority plus one vote for the Capital Nickel. An additional method is by a referendum placed on the ballot by municipalities representing 50% or more of the County population. County staff is not aware of any instance of this referendum provision ever being successfully used within the State of Florida.

There are two methods for distribution of the funds available under the statutes. There can either be an interlocal agreement between the County and a municipality or municipalities that represent over 50% of the incorporated population or in the absence of such an agreement there is a default formula based on the last 5 years of transportation expenditures.

Since the 1980s, Alachua County has adopted the fuel taxes by either a majority or supermajority vote, depending on which vote was statutorily required. Once Alachua County adopted the fuel tax, the distribution has been agreed upon through interlocal agreement between Alachua County and the

municipality representing a majority of the population in the incorporated area, which in this case is the City of Gainesville.

State Statutory Default Formula in Alachua County

Section 336.025(4), Florida Statutes, describes the state default formula for distributing local option fuel taxes. The default formula is based on a proportional share of each jurisdiction’s relative proportion of transportation expenditures over the previous 5 year period. In essence, the state formula seems to assume that past transportation expenditures equal future transportation revenue needs. There are several reasons why Alachua County does not agree that the default formula is an equitable or appropriate basis for the distribution of local option fuel tax funds between Alachua County and its municipalities. The default formula would be beneficial for the City of Gainesville but would be detrimental to the County and the other eight municipalities.

The first failing of the state default formula is that past expenditures do not have any bearing on the relative needs for transportation expenditures of each jurisdiction. The County is required by Section 334.03, Florida Statutes, to maintain the majority of lane miles of the locally maintained collector and arterial roadways inside the County and its municipalities. In Alachua County this equates to the County maintaining 85% of locally maintained collector and arterial roadways which carry the bulk of the transportation demand. Even when large portions of these roadways are annexed into municipalities, the responsibility to maintain them stays with the County. It is well documented in Alachua County that

2018 Tax Distribution							
Governmental Unit	Distribution of the 1st 2nd and 3rd Cent	Distribution of the 4th 5th and 6th Cent	Distribution of the Additional 5 Cents	2018 Estimated 1 st , 2nd and 3rd Cent	2018 Estimated 4th, 5th, 6th Cents	2018 Estimated Additional 5 Cents	2018 Estimated Total Local Option Fuel Tax
Unincorporated	43.94%	51.31%	52.15%	\$1,537,900	\$1,795,920	\$2,648,814	\$5,982,634
Alachua	2.29%	1.57%	1.88%	\$80,150	\$54,915	\$95,235	\$230,300
Archer	1.19%	0.56%	0.86%	\$41,650	\$19,565	\$43,427	\$104,642
Gainesville	43.94%	41.91%	38.64%	\$1,537,900	\$1,466,815	\$1,962,357	\$4,967,072
Hawthorne	1.40%	0.77%	1.06%	\$49,000	\$27,090	\$53,840	\$129,930
High Springs	2.60%	1.74%	2.11%	\$91,000	\$60,900	\$107,172	\$259,072
La Crosse	0.52%	0.08%	0.30%	\$18,200	\$2,625	\$14,984	\$35,809
Micanopy	1.06%	0.80%	0.90%	\$37,100	\$27,825	\$45,713	\$110,638
Newberry	1.63%	0.95%	1.26%	\$57,050	\$33,075	\$63,744	\$153,869
Waldo	1.43%	0.32%	0.87%	\$50,050	\$11,270	\$43,935	\$105,255
Total	100.00%	100.00%	100.00%	\$3,500,000	\$3,500,000	\$5,079,221	\$12,079,221

Figure 1: Current Distribution Formula for three Alachua County Local Option Fuel Tax Levies

the local option fuel taxes are insufficient to meet even the capital maintenance needs of the County road system. The current roadway maintenance backlog of the County roadway system is near \$400 million. The relative proportion of past expenditures by the County does not relieve the County of this responsibility.

Alachua County's second concern with the default formula is that the City of Gainesville is able to include all expenditures for its Regional Transit System (RTS) in its calculations under the default formula. This equates to approximately \$26 million dollars per year added to the City's past transportation expenditures. The vast majority of the funding for RTS is derived from the University of Florida, Federal, State, Santa Fe College and Alachua County contributions. The City expends approximately \$3 million derived from its own resources on RTS. In essence, the City is taking credit for pass-through expenditures to provide services to entities which the City is not statutory required to provide.

An additional concern with the default formula is the City's ability to count many expenditures paid from its stormwater assessment and waste hauler surcharge revenues to the transportation system, further inflating the City's expenditures in relation to the County and the other municipalities. Funding from outside funding sources should not be relevant to the determination of how local option fuel taxes are distributed, especially when those funding sources have been used to address the needs for which they have been collected and for which no additional funds are necessary.

A fourth concern with the State default formula is that, due to the nature of large capital expenditures, a snapshot of a single five year period may leave a warped and inconsistent picture of actual transportation expenditures. The County has impact fee revenues that have taken time to accumulate to construct large capital transportation projects. Currently, the County has \$9 million of accumulated transportation impact fee and mobility revenues that are planned to be expended in fiscal years 2017 and 2018. These planned expenditures, though significant, would not be considered in an analysis of the previous 5 years of expenditures even though they were collected and programmed during the previous 5 years.

A final concern with the state default formula is that Alachua County has been extremely innovative in terms of bringing transportation funding into the County and the state default formula does not take that innovation into account. A primary example is the Developer's Agreements that have been reached with Celebration Pointe Transit Oriented Development and Santa Fe Village Transit Oriented Development. Through months of negotiation (sometimes years), the County and developers have reached agreements for the project developers to fund and assume the risk of designing and constructing significant infrastructure projects. One of these projects, the SW 30th Avenue bridge over Interstate 75, the only one constructed in FDOT District 2 since the opening of the interstate, has been recently completed at a cost of approximately \$18 million. Due to the structure of the developer's agreement, this improvement, directed by the County, would not show as a County "expenditure" in the statutory default formula and Alachua County would not receive credit for the expenditure.

The state default formula is even more damaging to the other eight municipalities in the County. Their share would be cut in half from 9.4% in the current agreements to 4.7% under the default formula.

Ultimately, the state statutory default funding formula is not an appropriate and equitable means of distributing local option fuel taxes in Alachua County. The use of the state formula would be a self-perpetuating problem for the County as the more revenue the City of Gainesville receives, the more it expends, thereby more heavily weighing the formula to the City the next time it is calculated. To the extent that the negotiations with the City of Gainesville are based upon the default formula being a rationale for increasing the City's share of revenue, the County has to evaluate the very real option of not adopting the local option fuel taxes for Alachua County and exploring other revenue alternatives.

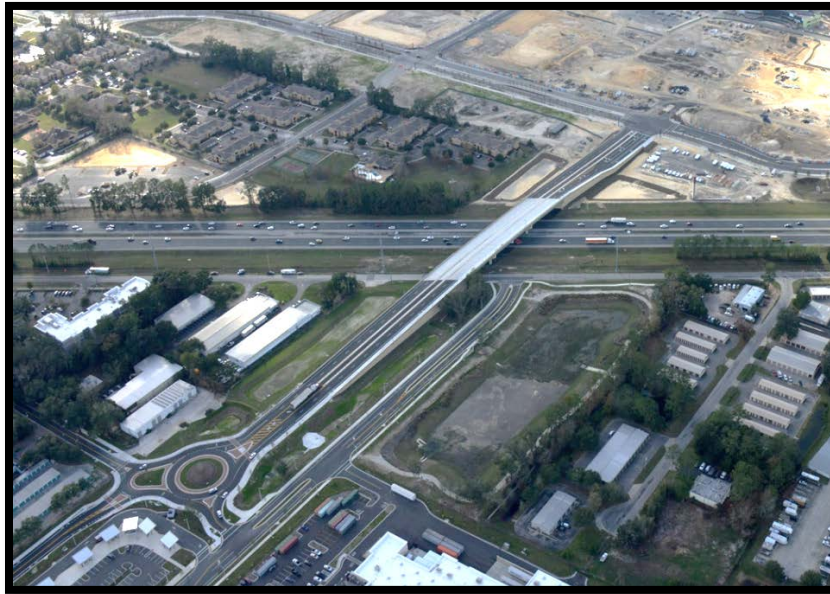


Figure 2: Interstate Bridge and Roundabout Constructed by Celebration Pointe under County Agreement

Other Revenue Distribution Options / Relative Transportation Funding Responsibilities

There are more important factors that should be used to determine the appropriate distribution of local option fuel taxes and/or other transportation revenues than past expenditures. Below are a few factors that should be considered in the mediation as appropriate factors in determining an equitable distribution of the fuel taxes to address the transportation needs of the public as a whole.

Road Miles Maintained

As mentioned previously, besides the State of Florida, the County is the jurisdiction responsible for maintaining the majority of the significant roadway infrastructure within Alachua County. The County currently maintains 1,283 lane-miles of paved roads throughout the County, including those roadways

within municipal limits. This equates to approximately 85% of the collector and arterial roadways and 59.1% of the total road miles that are maintained by a local government in Alachua County. The maintenance of these facilities produces an annualized capital maintenance responsibility of approximately \$16 million for the County. This cost includes annualized capital costs for resurfacing, pavement markings and signals. The County's current distribution of local option fuel taxes is projected to be approximately \$6 million in calendar year 2018 under the most recent short term agreement. This is a reduction of approximately \$300,000 from what it would have been under the agreements that were in effect through 2016.

County Responsibilities Inside the City of Gainesville and other municipalities

The County maintains 89 lane-miles of County roads inside Gainesville City Limits. The annual maintenance responsibility for roadways within the City of Gainesville is approximately \$1.2 million per year, which includes milling and resurfacing and pavement markings. Many of these are high volume multimodal corridors such as NE/NW 16th Ave, NW 43rd St and North Main St. Along with the major state roads, these County facilities carry the bulk of the transportation demand inside the City of Gainesville.

Backlog of Road Maintenance Responsibility

As referenced previously, the County has a significant backlog of roadway maintenance responsibilities. Much of this is due to the impact of the State transferring many miles of secondary roads to counties in the 1980s and these roadways reaching the end of their life cycles in the past decade. The need to maintain these collector and arterial roadways both inside and outside municipalities is a special responsibility placed upon the County that is not required to be addressed by municipalities and not considered in the State's default formula.

Other Transportation Funding Issues and Sources

The local option fuel taxes are perhaps the most important dedicated funding source for transportation needs, but these taxes are not the only transportation funding source on which the County collaborates with the City of Gainesville.

County Incentive Grant Program (CIGP)

The County has routinely and voluntarily signed over rights to the City of Gainesville for several State of Florida County Incentive Grant Program (CIGP) grants administered by the FDOT. There is an average of \$1 million to \$2 million per year in CIGP funding available to the County every year. These grants have funded the reconstruction of Depot Ave (\$3.8 million), as well as the upcoming construction of SW 40th Blvd (\$1.3 million). The City of Gainesville typically takes this grant funding and completes these projects through FDOT's Local Area Program (LAP). As a LAP project the funds are expended by the City

and further contribute to City's expenditure advantage under the state statutory default formula. The County is not required to make this grant award available to the City under State law.

Impact Fees / Mobility Fees

The County has adopted Impact Fees and Mobility Fees which have been and are planned to be used on infrastructure projects that benefit the City transportation system, such as bridge enhancements over I-75. The County has taken on the responsibility of funding these facilities even as the City has actively recruited annexation of new development west of I-75. The annexation of these properties removes the mitigation funding sources for transportation capacity projects on the County maintained transportation system that serves these developments.

Metropolitan Transportation Planning Organization (MTPO) Participation with State/Federal Funding

The County participates with the City on the Metropolitan Transportation Planning Agency (MTPO) for any transportation projects within the urbanized area that utilize State or Federal funds. This includes recent planning projects such as the University Avenue Multimodal Enhancement Study, Waldo Road Multiway Boulevard Study and Archer Braid Study. Additionally, there is cooperation on transit operations funding and on capital construction funding, such as the NW 34th St turn lanes, NE 16th Ave intersection improvements, RTS maintenance facility and SW 62nd Blvd interim projects. All of these projects are within the City of Gainesville limits and were supported by the County to the potential exclusion of projects within the unincorporated County or on County maintained roadways.

Outside of some maintenance and safety funding, most projects inside the MTPO area must be approved by the MTPO governing board on their Transportation Improvement Program (TIP) in order to be included in the FDOT's Five Year Work Program. Approval of the TIP by the MTPO Governing Board must receive support of the County Commission to be approved.

An analysis of the FDOT 5 year work program (2018-2022) shows that the State has programmed approximately **\$100 million** over the next 5 years to projects and transit within the City of Gainesville. This includes RTS capital and operations and other capital projects requested by the City of Gainesville. FDOT has programmed **\$2.5 million** over that same period to projects in the unincorporated area or on County roads requested by Alachua County within the MTPO boundary. The projects programmed by the State to the City and County are primarily transit capital and operations, new roadway capacity and new bicycle/pedestrian projects.

Regional Transit System (RTS)

The County began funding enhanced weekend transit service in fiscal year 2017 inside the City of Gainesville limits on Route 75, Route 1 and Route 711. Alachua County also began funding holiday service inside City limits on Routes 75, 10 and 43. Funding for this service comes to \$111,000 per year.

The Celebration Pointe and Santa Fe Village Developer's agreements include increased funding for transit from those developments into the City and the University of Florida as well as the potential expansion of eastside transit service once the developments hit certain thresholds. This transit service is estimated at \$1 million a year for 15 years between the two developments. Provision of these services would otherwise fall to the City if it was not funded through County sources.

County's Key Interests

The prime motivating factor for Alachua County is to more adequately fund its transportation system needs through the renewal of the local option fuel taxes. The past two one-year renewals have seen the County agree to provide increased funding to the City of Gainesville as well as the other eight municipalities at the expense of the County on a short term basis. The County was willing to take this short term step to line up these agreements for a 2018 expiration but the loss of revenue is a critical strain on the County's transportation funding responsibilities. If it is important to the City of Gainesville to increase its revenue share further through the renewal of the local option fuel taxes then it must be offset with transportation funding increases to the County through other sources or by the City agreeing to take on additional infrastructure maintenance or transit funding responsibilities from the County.

Possible Settlement Options

The County offers a settlement that establishes the percentage of local option fuel tax distribution equal to the jurisdiction's proportion of locally maintained center line road miles under maintenance. Under current maintenance responsibility this equates to:

59.1% County : 25.4% Gainesville : 15.5% Other Municipalities

The County is open to discussing any settlement option that, starting with the above proposal, weighs a gain or reduction in local option fuel tax revenues with an equal and offsetting gain or reduction in either maintenance responsibilities or other transportation funding source revenues.

Past Settlement Proposals

The current status quo is a redistribution of approximately 2.5% of the total revenues to the City of Gainesville from Alachua County over what was in effect from 2009-2016. The County agreed to this short term arrangement with the rationale that it made the most sense to discuss the renewal of all 11 cents for possible extension in 2018.

The current status quo equates to:

49.5% County : 41.1% Gainesville : 9.4% Other Municipalities

There have been several methodologies explored during the negotiations on the extensions of the local option fuel taxes over the last two years. Primarily, all of the discussions surrounding different methodologies below have understood that they would be adjusted to either hold the eight smaller municipalities harmless or slightly increase their share of the proceeds over the status quo. The methodologies explored by the County and the City during these negotiations have considered the following factors:

1. Miles of Road Maintenance Under Jurisdictional Maintenance
County 59.1% : Gainesville 25.4%
2. Population (Unincorporated vs City of Gainesville)
County 39.9% : Gainesville 50.2%
3. Average of Miles of Maintenance and Population
County 43.5% : Gainesville 37.8%
4. Mobility Index (Analysis of Vehicle Miles Travelled and Person Miles Travelled on Transit)
County 66.7% : Gainesville 24.1%
5. Transportation Expenditures – Department of Revenue Defined (Statutory Default Formula)
County 28.6% : Gainesville 66.7%
6. Transportation Expenditures – Department of Transportation Defined
County 44.2% : Gainesville 46.6%
7. 2009-2016 Agreements Composite
County 52.2% : Gainesville 38.6%
8. 2017 Agreements Composite
County 50.8% : Gainesville 40.2%
9. 2018 Agreements Composite
County 49.5% : Gainesville 41.1%

As can be seen above, there are a number of technical rationales for distributing the revenues between the City and the County and, depending on the relative weight given to any factor, there is a case to be made for either the City or the County receiving an increased distribution over the current status quo arrangement.

After debating various formulas for many months, where either the County or City of Gainesville would have seen an increase of revenue at the other jurisdiction's expense, the two sides have stagnated at the following offers.

As mentioned previously, the County has offered to distribute the funding proportionally to the roadway maintenance responsibility:

59.1% County : 25.4% Gainesville : 15.5% Other Municipalities

The City of Gainesville has offered to split the proceeds at:

45% County : 45% Gainesville : 10% Other Municipalities

Alachua County could not agree to the City's offer as it would have been a substantial reduction of approximately \$1.6 million from the County's current offer and a reduction of \$900,000 from the prior long term agreements. This reduction in revenue would further cripple the County's roadway maintenance program and the City of Gainesville has made no offers of taking on additional transportation maintenance responsibilities commensurate with the proposed increased revenue.

Personal Matters

There are no personal matters that should affect these negotiations. One change in personnel has taken place at the County since the last meeting on these negotiations. The County Manager during that time had his contract terminated by the County Commission. The County Commission subsequently appointed Michele Leiberman as the Interim County Manager.

There are other matters that have financial implications that the County and the City of Gainesville have been negotiating recently, ranging from annexation/planning issues, Community Redevelopment Area funding, fire services and homeless services. There is the possibility of cross-issue negotiation between the jurisdictions amongst these issues as negotiations continue. The County would favor this approach as there is a greater possibility of finding "win-win" solutions when more issues are considered concurrently.

Persons Present at Mediation for Alachua County

County Commission

Interim County Manager

Interim County Attorney

Deputy County Manager

Assistant County Manager for Budget

County Engineer

Transportation Planning Manager

Other Support Staff

Other Pertinent Issues

The County Commissioners are acutely aware there is a political cost associated with adopting any taxes. Since the County Commission is the body that has been tasked with adopting the local option fuel taxes, it is keen to avoid that adoption and the associated distribution of the tax that will lead to further

deterioration of the backlogged County roadway system. It is critical that the distribution of the revenues track the demonstrated needs of the community. The 11 cents of local option fuel taxes are the one funding source that can be adopted without a referendum and is paid specifically by the users of the transportation facilities. The taxpayers are specifically those users of the existing roadway system.