ALACHUA COUNTY

FINANCIAL TRENDS MONITORING REPORT

9/30/01 Fiscal Year

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Finance and Accounting Department

CLERK OF THE CIRCUIT COURT

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MEMORANDUM

DATE: February 18, 2002

TO: Board of County Commissioners

FROM: J. K. "Buddy" Irby, Clerk
Steven J. Carr, Assistant Clerk/Finance Director

SUBJECT: 2001 Financial Trends Monitoring Report Update

We have completed the 2001 update to the Financial Trends Monitoring Report. The report contains an Executive Overview that we believe will assist the reader in gaining a more general understanding of the trends.

We would like to thank everyone in County government for their input and assistance.

We hope you will find this information useful.

JKI/SJC/lab

FINANCIAL TRENDS MONITORING REPORT
EXECUTIVE OVERVIEW

The Monitoring System

The Financial Trends Monitoring System was developed by the International City Management Association. It is a method of collecting and analyzing a large multi-year data base of financial information. Analysis of the data base produces a series of indicators that can be studied to help explain the County's financial condition. This document will discuss the County's specific trends and the implications of those trends on our financial condition.

Evaluating the County's financial condition is a complex process that requires sorting through a number of factors. These factors include community economic factors as well as the financial factors related to county government.

One of the most important facts to remember in trying to evaluate a local government's financial condition is that a local government must be responsive to its community. By community we are referring to the external influences on a local government. Those influences create demands and/or provide resources.

It is important to keep this symbiotic relationship in mind at all times. Changes in the community do not happen in a vacuum. As you will see later, a change in population, personal income, or consumption can generate changes in demands for or provision of resources.

Ultimately the purpose of this portion of the project is twofold:

to evaluate the identified trends

to establish the basis for future policy development

The Executive Overview section will help to acquaint you with the indicators and the trends that were developed from them. In this section we also discuss some of the implications of the trends. The remaining portion of the document will discuss the trends and their meaning in greater depth.

Community Resources

Community resources consist of both the population and its wealth.

1) The community resources indicators dealing with population show a mixed blessing. Population is increasing throughout the County in a slow steady manner, however, the patterns of those increases bear watching. To put this in perspective, from 1991 to 2001, the County grew by 21%, the State by 24%, and the nation by 14%.

2) The makeup of that increase also has important implications. The largest segment of the population increase was in the 25 to 64 age category. That trend is projected to continue, which leads to the conclusion that development of the job base should be a priority.

3) Over a ten year period from 1990 to 2000, 33% of the County's population growth was due to natural growth and 67% was due to net migration. The growth percentage caused by natural increase is still almost double that of the State.

Another facet of community resources deals with the wealth of the population.

1) Per capita personal income has increased steadily over the past decade. However, the gap between Alachua County and the State & Nation is a concern because reduced personal income indicates less purchasing power and lower sales tax revenues.

2) Total assessed valuation and per capita taxable values, in constant dollars, rose for budget year 2001. In the last six years, assessment valuation kept pace with population growth and inflation. This is a positive signal.

TABLE 1: ASSESSED VALUATION INCREASE NEEDED TO KEEP PACE WITH INFLATION AND POPULATION GROWTH

Budget Year	1997	1998	1999	2000	2001	2002
Needed for Inflation and Growth	$176,862,888	$215,829,009	$125,677,116	$215,423,005	$202,998,103	$254,161,510
Actual Increase	182,899,146	349,363,568	289,213,431	366,782,687	415,118,124	494,248,470
(Short) Over	6,036,258	133,534,559	163,536,315	151,359,682	212,120,021	240,086,960

3) Overlapping General Obligation Bonded Debt is an indicator of how much debt burden is born by each parcel of land in the County. This indicator does not include the Sales Tax and Public Improvement Revenue Bonds, since these bonds are not supported by ad valorem taxes. There was a substantial increase in 1993 due to additional school board debt. From 1994 to 2001, however, this indicator has steadily decreased and is positive.

4) Business activity and unemployment rates were quite positive. From 1992 through 2000 unemployment has declined in both the County and Nation. However in 2001, there was a slight increase in unemployment rates for the County, State, and Nation. This indicator shows that the County is consistently at an unemployment level at least two percentage points below the Nation and the State.

Operating Indicators

The operating indicators are structured to show the County's financial trends and standing.

1) Operating Surpluses - Indicator 7 shows operating surpluses and deficits in the general fund and municipal services taxing unit. All operating deficits that have occurred have been planned draw-downs of fund balances. Although these deficits are planned and are small in relation to the total budget, any operating deficit requires careful monitoring.

2) Fund Balances as a Percent of Operating Revenues - Although the percent has changed from year to year, this remains a very healthy indicator. While deficits are small as a percentage of net operating revenues and were planned, they should continue to monitored to ensure current revenues are supporting current expenditures.

3) Liquidity measures the County's ability to pay short term obligations with cash resources. This indicator is consistently positive with liquidity ratios well above 200% for the last decade.

Revenue and Expenditures

The revenue indicators are designed to tell us where revenues come from and what their characteristics are. Expenditure indicators are designed to tell us the components of and limitations on our spending.

1) Operating revenues per capita have been fairly flat on a constant dollar basis with a slight increase in 2001.

2) Expenditures per capita have also been fairly flat on a constant dollar basis with a slight increase in 2001. In 2001 operating expenditures per capita exceeded operating revenues per capita. Although this was planned, we need to be mindful that this should be watched in the future. Operating expenditures do not include capital outlay expenditures. Fixed cost expenditures have remained fairly flat over the past decade.

3) Debt Service & Other Fixed Costs - All these indicators show a positive trend through 2001.

4) Expenditures by program show the allocation issues of county services. Criminal justice, administration, waste disposal, land use, direct service, debt service, and capital outlay expenditures increased, while emergency services expenditures decreased.

Summary

Taxable value has kept pace with inflation and population growth for the last six years.

Unemployment has increased slightly, however, is below State and National levels.

The General Fund reported a deficit in fiscal year 2001.

Operating expenditures (expenditures other than capital outlay) are slightly higher than operating revenue.

Fixed costs have remained fairly constant over the analyzed period except for a few spikes.

Employee costs have risen less than $38 per capita, in constant dollars, in the past ten years.

Operating revenues and expenditures per capita in constant dollars have remained almost flat for the past decade.

Cash/liquidity indicators continue to show a good cash position.

The ultimate purpose of this project is to aid in the development of policy that addresses the County's situation. We hope the information provided in this document will assist in the understanding of how the County arrived at its current financial status and in making the difficult policy decisions that lie ahead.

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THE MONITORING REPORT

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INTRODUCTION

The Alachua County Financial Trends Monitoring Report is based on the original ICMA model. We have collected and analyzed a data base of financial information from the past ten years. The analysis produced a series of indicators that underlie the County's financial condition. This document will discuss the trends and the implications of those trends.

Major sources of information include the County's Comprehensive Annual Financial Report, Bureau of Economic and Business Research (BEBR) and their publication Florida Statistical Abstract, Job Service of Florida, Moody's Investors Service, Alachua County Property Appraiser, and Office of Management and Budget.

Evaluating the County's financial condition is a complex process that requires sorting through a number of factors. These factors include community economic factors as well as the financial factors related to county government.

We hope this information will be helpful.

EVALUATING ALACHUA COUNTY'S FINANCIAL CONDITION

What is Financial Condition?

The term *"financial condition"* has many meanings.

Cash Solvency:

In a narrow accounting sense, it can refer to a government's ability to generate enough cash in the short term to pay its bills. The fund balance policy of the current Board of County Commissioners requires that operating funds be analyzed annually to insure that an adequate amount of cash is maintained in each fund until inflows equal outflows.

Budgetary Solvency:

In this context financial condition can also refer to a government's ability to generate enough revenue over its normal budgetary period to meet its expenditures and not incur deficits.

Service-level Solvency:

Finally, financial condition can refer to a government's ability to provide services at the level and quality that are required for the health, safety and welfare of the community and that its citizens desire. A government lacking service-level solvency might in all other respects be in sound financial condition, but would be unable to support police and fire services, for example, at an adequate level and would suffer from cash, budgetary or long-run solvency problems if it did provide such a level of services.

In summary, financial condition can be broadly defined as a local government's ability to finance its services on a continuing basis. More specifically, financial condition refers to a government's ability to (1) maintain existing service levels, (2) withstand local and regional economic disruptions and (3) meet the demands of natural growth, decline and change.

What is the Financial Trends Monitoring System?

Evaluating a jurisdiction's financial condition is a complex process that involves sorting through a number of factors. The factors include the national economy, actions of the state and local government, population level and composition of the community, the local business climate and the internal finances of the local government. Not only are there a large number of factors to evaluate, many of them are also difficult to isolate and quantify.

Relationships between the factors add to the complexity. Some are more important than others, but often this cannot be determined until all the factors have been assembled. For example, absolute revenues may be higher than ever and may be exceeding expenditures by a comfortable margin. However, if local officials do not consider that inflation for the last ten years has cut purchasing power by well over half and that street maintenance has been deferred as a result they may be lulled into thinking that the community's financial condition remains as healthy as ever.

The Financial Trends Monitoring System (FTMS) identifies the factors that affect financial condition and rationally arranges them to facilitate analysis and measurement. It is a management tool that pulls together information from a government's budgetary and financial reports, combines it with economic and demographic data and creates a series of financial indicators that, when plotted over time, can be used to monitor changes in financial condition and alert the government to future problems. The indicators deal with a broad array of issues, including external revenues, fund balances, liquidity, unfunded liabilities and business activity.

EVALUATING ALACHUA COUNTY'S FINANCIAL CONDITION, concluded

The Financial Trends Monitoring System is designed to help a local government do the following:

1. Make sense of the many factors that affect financial condition

2. Develop quantifiable indicators

3. Use these indicators to

- gain a better understanding of the government's financial condition
- identify emergency problems before they reach serious proportions
- identify existing problems of which local officials may be unaware
- present a straightforward picture of the government's financial strengths and weaknesses to elected officials, citizens, credit rating firms, and other groups with a need to know
- introduce long-range considerations into the annual budgeting process
- provide a starting point for elected officials in setting financial policies

The particular advantages of this approach are that the Trend Monitoring System:

- offers a way to quantify a significant amount of information
- relies on data that already exist in a government's records or are otherwise reasonably available
- is designed for "in-house" use and does not require complicated mathematical techniques or computer procedures (although a personal computer could be used to perform calculations and generate graphs)
- combines financial and nonfinancial data in the same analysis
- places the events of a single year into a longer perspective and permits local officials to follow changes over time
- incorporates benchmarks normally used by credit rating agencies

The system cannot explain specifically why a problem is occurring, nor does it provide a single number or index to measure financial health. What it does provide are ***flags*** for identifying problems, ***clues*** about their causes and ***time*** to take anticipatory action.

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COMMUNITY RESOURCES

The community in which the County operates is extremely important in providing parameters for the government's operations. These community parameters create demands, provide resources, or both. Community resources is a category in which the tax base and economic and demographic characteristics are treated as different sides of the same coin. On one side the tax base (personal income, commercial and industrial income) determines local wealth. On the other side are the economic and demographic characteristics which affect the demand for public services. Changes in community needs and resources are interrelated. They move in a continuous cycle of cause and effect.

POPULATION 1990 - 2030
INDICATOR #1-A

Figure 1

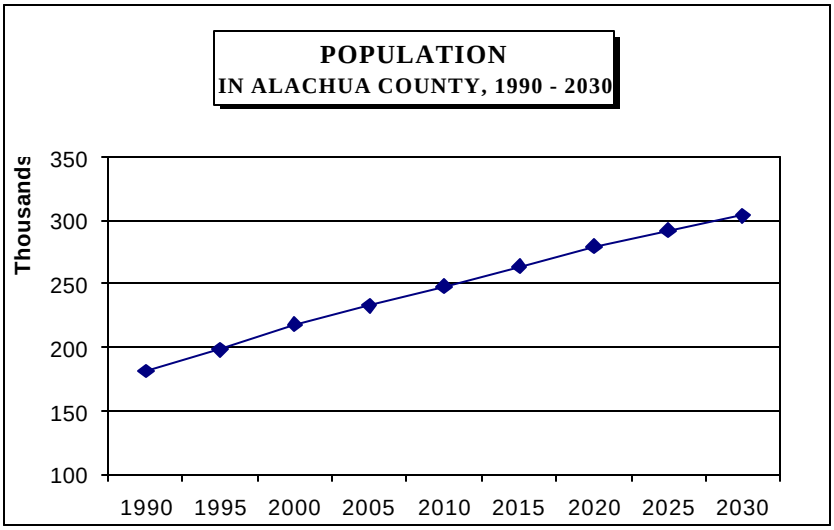
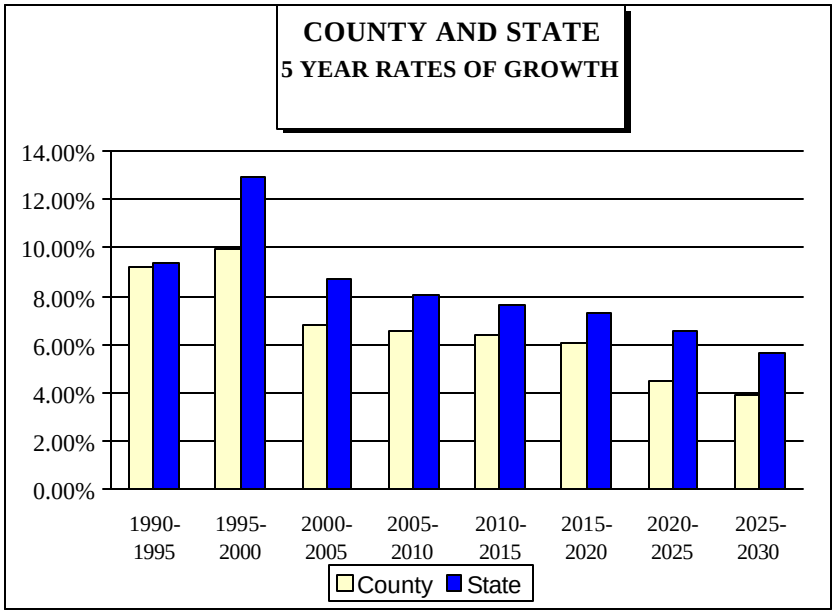


Figure 2



DEFINITION OR PURPOSE

Formula: Figure 1

Population Growth 1990 - 2030

Formula: Figure 2

Growth and projected rate of Population Growth 1990 - 2030

Population projections used in conjunction with land use planning and capital improvement planning can smooth the road for future growth by ensuring adequate facilities and services are present.

WARNING TREND

Decreasing population or sudden increase in population.

POPULATION - Analysis of Indicator #1-A

ANALYSIS

Alachua County experienced steady population growth of approximately two percent per year throughout the 1980's, 1990's, and into 2000. Population increased from 183,773 in 1991 to 222,935 in 2001. Total increase in population was 39,162 or about 21 percent.

County Growth in Persons Per Year	
Year	**Growth**
1991	2,177
1992	2,428
1993	4,454
1994	3,224
1995	4,382
1996	3,879
1997	5,985
1998	3,278
1999	4,846
2000	1,706
2001	4,980

It is interesting to note that the University of Florida (BEBR) expects the County's rate of growth to decrease from 2000 to 2030.

Growth in Alachua County from 1960 to 1970 was 41.4 percent (74,074 to 104,764) and from 1970 to 1980 it was 44.5 percent (104,764 to 151,369). Thus, in terms of percentages, the period from 1990 -2000 was a period of much slower growth (19%) than the 60's or 70's. Slow steady growth is a positive trend for the County. Subsequent graphs will detail population growth in incorporated versus unincorporated areas and growth due to natural increase versus migration.

The 2001 population projections for Alachua County anticipate an increase from 222,935 in 2001 to 303,900 in the year 2030. From 2001 to 2005 Alachua County should experience an estimated growth of 9,865 persons versus growth of 19,694 from 1995 to 2000.

As Figure 2 depicts, the County is expected to approximately mirror the State's population growth which is also expected to decrease in the second half of the decade. Any number of factors could raise or lower the projected population growth. These factors include: an increase/decrease in the cap on enrollment at the University of Florida; increases or decreases in major employers in the county; location of a large residential development in the county; or changes in migration patterns of residents moving to and within the state, to name but a few.

The key point of this indicator is that population growth is expected to be slower in the coming decades than in previous decades.

POPULATION - Analysis of Indicator #1-A, concluded

Because the State's rate of growth has declined to the County's current level, a positive impact may be expected on those state shared revenues which use formulas based on county vs. state population. Alternatively, a declining rate of growth would imply a smaller rate of increase in the total "pot" of money.

Percent Growth 1990 - 2000 Nation, State, Alachua County, and Six Adjacent Counties

	Percent Growth
Nation	13.2%
State	23.5%
Alachua	20.0%
Gilchrist	49.3%
Marion	32.9%
Levy	32.9%
Putnam	8.2%
Columbia	32.6%
Bradford	15.9%

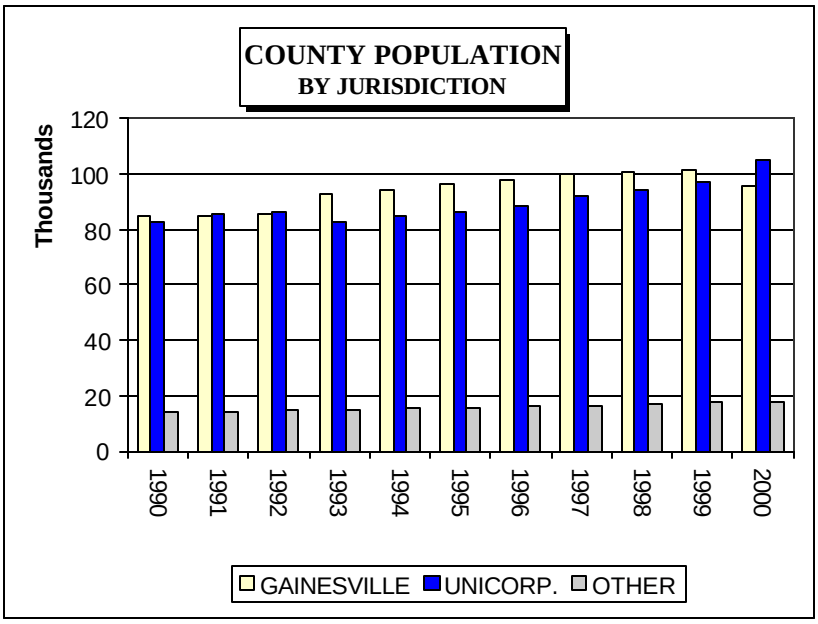
Perspectives on Alachua County's population growth can be enhanced by comparison with past growth rates and growth rates of surrounding counties, the State of Florida, and the United States. Population growth in the six counties adjacent to Alachua County from 1990 to 2000 varied dramatically as the table illustrates. Information is based on the 1990 and 2000 census counts.

Many Florida counties had much higher rates of increase than Alachua County. However, for the period 2000 to 2001, the County and the State grew by 2% while the nation as a whole grew by only 1%. This gradual, steady increase in population is considered a positive trend for the County, however, the County's percentage of total state population has remained approximately the same over the decade. This has had an impact on the County's portion of state shared revenues which use formulas based on a county's percent of the total state population. Therefore it is important to monitor Alachua County's growth in relation to State growth. In addition, certain questions regarding population growth should be examined.

These include:

- Is the cost of providing services to new residents covered by the revenues they produce?
- Is the level of business activity commensurate with residential development?
- Is growth adequately served by: water supply, sewer system capacity, traffic circulation, waste disposal capacity, or open space resources?
- What are the capital costs, and new operating costs, associated with extending infrastructure for these services?
- Are measures in place to ensure that new development is paying its own way?
- Finally, are growth management measures adequate to provide efficient utilization of existing and planned infrastructure and to ensure protection of the environment?

POPULATION BY JURISDICTION
INDICATOR #1-B



DEFINITION OR PURPOSE

Formula:

Population growth by Jurisdiction

1990 - 2000

Examining population growth on a jurisdictional basis provides an important indicator of the need for governmental expenditures to maintain levels of service in specific areas.

WARNING TREND

Decreasing population or sudden increase in population.

ANALYSIS

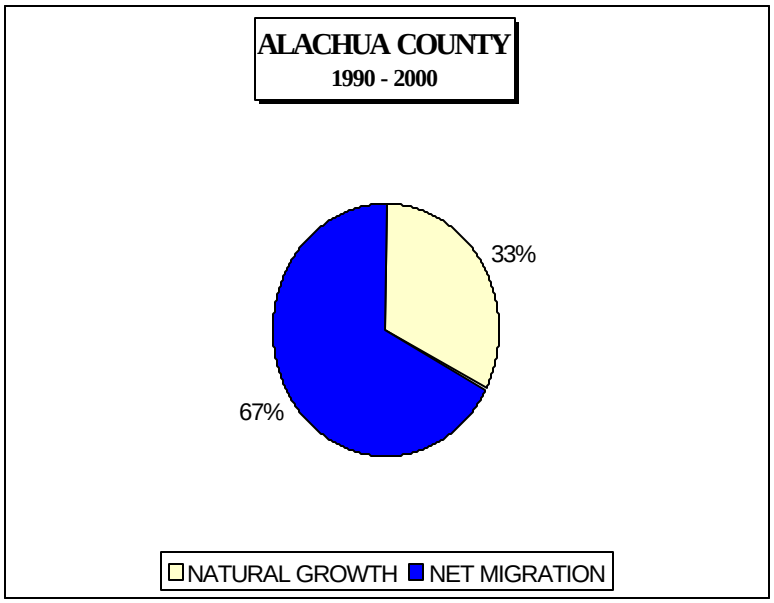
Population growth in the County throughout the period has almost been divided equally between the incorporated and unincorporated areas.

	1990 Population	2000 Population	Increase	Percentage Increase
Unincorporated	82,744	104,910	22,166	26.79%
City of Gainesville	85,075	95,447	10,372	12.19%
Other Cities	13,777	17,598	3,821	27.73%

Growth in the unincorporated area translated into increased MSTU tax base and a greater share of state shared revenues whose formulas are based on percentage of population in incorporated versus unincorporated areas. With growth comes an increasing need for services such as Fire/Emergency Medical Services, Sheriff, transportation, planning, parks, drainage, solid waste, and environmental protection. Growth in the unincorporated area of the County is expected to continue along the prevailing trend begun in 1992.

COMPONENTS OF POPULATION CHANGE
IN ALACHUA COUNTY AND THE STATE OF FLORIDA
INDICATOR #1-C

Figure 1



DEFINITION OR PURPOSE

Comparison:

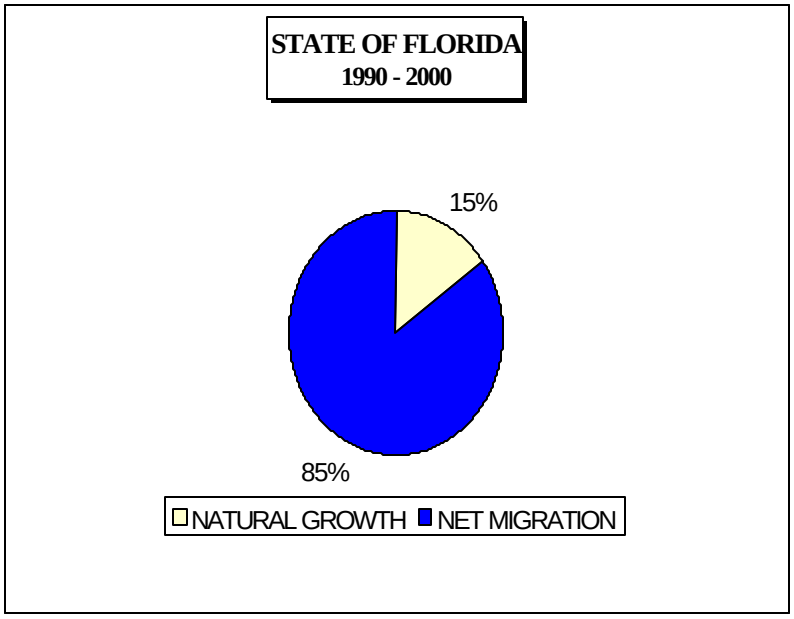
Components of Population Growth in Alachua County and the State of Florida.

Comparing the components of growth in Alachua County with the State may highlight fundamental differences in the factors producing growth in this County and factors operative statewide.

WARNING TREND

Rapid increase/decrease in one or more of the components contributing to population growth.

Figure 2



POPULATION - Analysis of Indicator #1-C

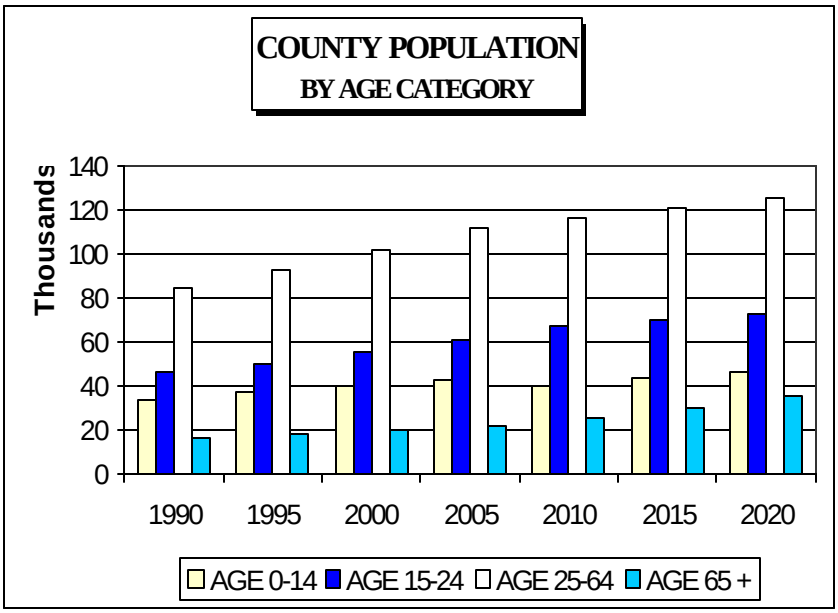
ANALYSIS

Please note that this indicator examines components of population change for the period from 1990 to 2000.

The graphs in Figures 1 and 2 indicate that the County has a higher percentage of growth attributable to natural increase (births vs deaths) than does the State.

In summary, Alachua County has a comparatively low percentage of elderly and a high percentage of persons in their child bearing years, and therefore a low number of deaths per thousand persons. Less clear is why Alachua County has a lower rate of growth due to net migration. Factors such as geographic location (inland versus coastal and northern versus central and southern), employment opportunities, taxes, community perception, etc. probably all have some influence.

POPULATION OF ALACHUA COUNTY BY AGE CATEGORY
INDICATOR #2



DEFINITION OR PURPOSE

Formula:

Estimated and Projected Population in four age categories 1990 - 2020.

Evidence indicates that an aging or rapidly expanding school age population can impact both the revenue and expenditure profiles of a local government.

WARNING TREND

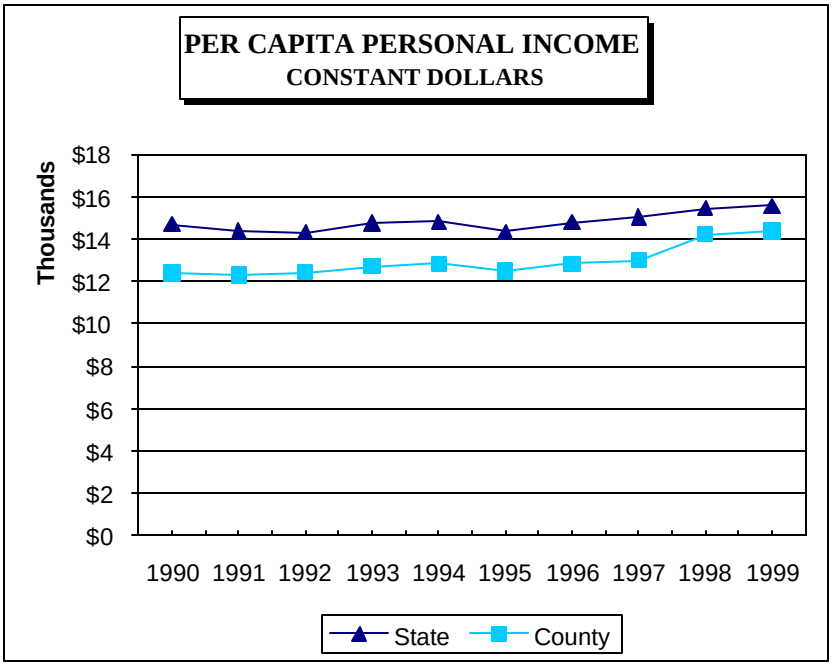
Increasing senior citizen or student age population.

ANALYSIS

The 25 to 64 age group is projected to almost double from 1990 to 2020. This is, in general, the working age population. Jobs will be a priority for this group. In addition, there appears to be a dramatic increase in the senior citizen category (65 and over) over the same period. This trend bears watching.

Changes in any of the age categories in this graph may create different problems and opportunities for a local government and community. Rapid change in the pre-school, grammar and middle school category (ages 0 to 14) will require a different distribution of government resources than a rapid change in the senior citizen age group (65 and over). The warning trend focuses on increases in the senior citizen and school age categories which may result in greater demands on certain government services or potentially affect government revenues adversely. The implications of these projections are that Alachua County does not have a rapidly increasing senior citizen or student age population that would adversely affect government revenues.

PER CAPITA PERSONAL INCOME
INDICATOR #3



DEFINITION OR PURPOSE

Formula:

$$\frac{\text{Personal Income (constant dollars)}}{\text{Population}}$$

Personal income per capita is indicative of a community's ability to pay taxes; the higher the per capita income, the more property tax, sales tax, and business tax the community can generate.

WARNING TREND

Decline in the level or growth rate of personal income per capita (constant dollars).

ANALYSIS

Over the period between 1990 and 1999 personal income (constant dollars) in the County rose from $12,387 per person to $14,385 per person. The gap between County and State personal income remained about the same from 1990 to 1997. That gap has closed somewhat from 1998 to 1999.

A decline in per capita income could result in loss of consumer purchasing power and could provide advance notice that businesses, especially in the retail sector, will suffer a decline that can ripple through the rest of the economy.

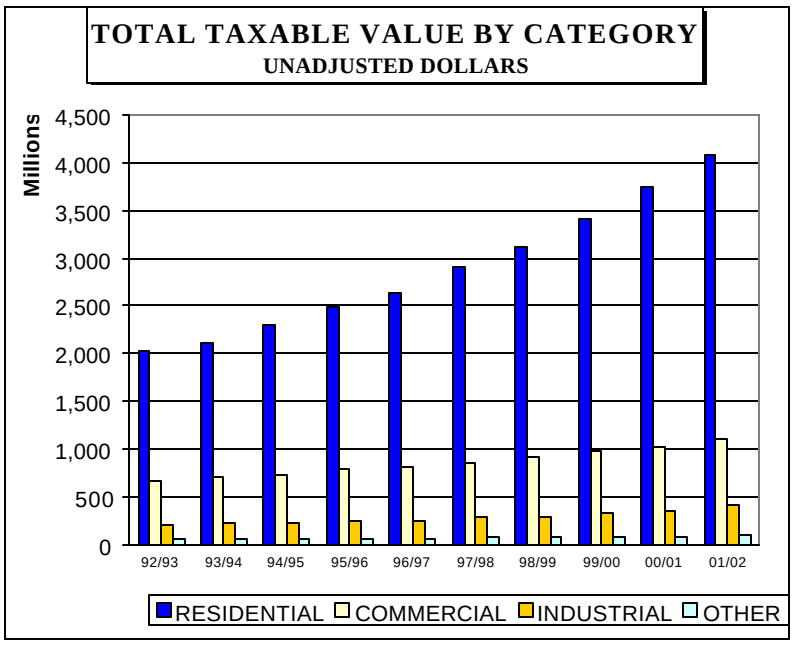
Changes in personal income are especially important for areas, such as Alachua County, which have a small industrial base. This is because personal income is the primary source of local wealth from which taxes can be paid. For communities with a large commercial and industrial base, personal income becomes less important.

In summary, Alachua County's per capita personal income, adjusted for inflation, has increased each year with some fluctuations. However, in recent years the increases have slowed.

2000 and 2001 information was not available for this report.

TAXABLE REAL PROPERTY VALUE
INDICATOR #4-A

Figure 1



DEFINITION OR PURPOSE

Formula: Figure 1
Taxable Value by category 1992 - 2001 budget year, unadjusted dollars

Formula: Figure 2
Total Taxable Value 1992 - 2001 budget year, constant dollars

Formula: Figure 3

$$\frac{\text{Change in Property Value (Const. \& Unadj.)}}{\text{Property Value Prior Year}}$$

The effect of declining taxable value on a government revenues depends on the government's reliance on property taxes.

WARNING TREND

Declining growth or drop in taxable value of residential, commercial, or industrial property (constant dollars).

Figure 2

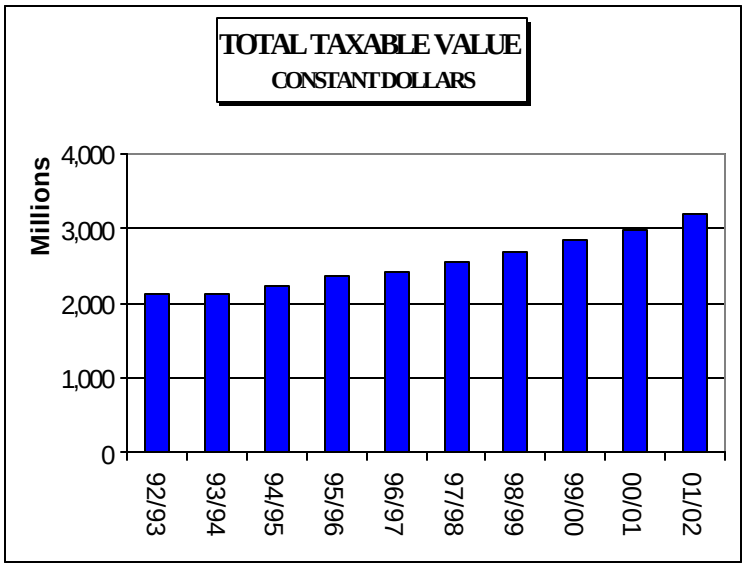
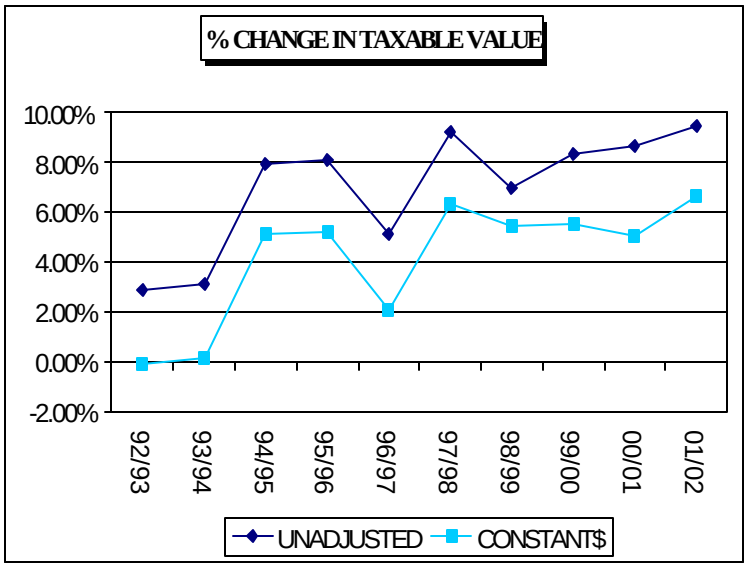


Figure 3



TAXABLE REAL PROPERTY - Analysis of Indicator #4-A

There has been moderate growth in taxable value throughout the period. The taxable value of all property in Alachua County increased by 90 percent between 1992 and 2001, increasing from 3.0 billion dollars to 5.7 billion dollars (unadjusted dollars). If a locality has a stable tax rate, then the higher the aggregate property value, the higher the revenues generated. Ad valorem, county-wide millage rates set by the Board of County Commissioners have fluctuated in a fairly narrow band throughout the decade ranging from a high of 9.25 mills to 8.9887 mills today. Increases in property tax revenues for the general fund have therefore been largely the result of the increase in the value of the tax base. One mill in 2001 generates 47 percent more revenue in actual dollars than a mill in 1992.

Figure 3 shows percent changes in the value of taxable property in constant and unadjusted dollars. In both constant (dollars adjusted for inflation) and unadjusted dollars there has been a positive trend.

Table 1 shows the increase that must occur during that budget year to keep pace with inflation and population growth.

TABLE 1: INCREASE NEEDED TO KEEP PACE WITH INFLATION AND POPULATION GROWTH

Budget Year	1997	1998	1999	2000	2001	2002
Needed for Inflation and Growth	$176,862,888	$215,829,009	$125,677,116	$215,423,005	$202,998,103	$254,161,510
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TAXABLE REAL PROPERTY - Analysis of Indicator #4-A, concluded

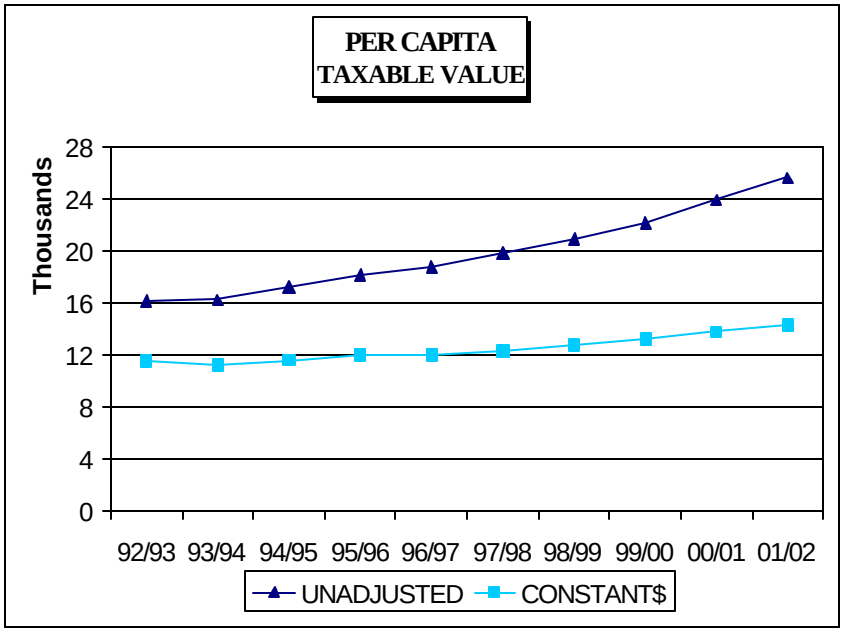
Table 2 shows the annual increase in taxable value by property type and total for all property.

TABLE 2: YEARLY INCREASE IN TAXABLE VALUATIONS - BUDGET YEAR

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Residential	$ 60.073.675	$ 64.988.470	$ 199.353.645	$ 178.903.832	$ 152.317.356	$ 277.409.200	$ 208.745.004	$ 287.024.873	$ 332.789.111	$ 350.456.687
Commercial	17.123.030	29.829.660	32.608.530	68.628.129	20.701.842	40.378.768	63.075.725	48.661.311	50.815.825	73.790.153
Industrial	6.532.080	1.250.330	12.305.075	14.947.279	11.419.466	26.428.874	15.685.390	25.535.060	21.716.378	65.482.260
Other	495.300	(2.574.150)	(76.810)	7.132.980	(1.539.538)	5.146.726	1.707.312	5.561.440	9.796.810	4.519.370
TOTAL	$ 84.224.085	$ 93.494.310	$ 244.190.440	$ 269.612.220	$ 182.899.126	$ 349.363.568	$ 289.213.431	$ 366.782.687	$ 415.118.124	$ 494.248.470
Growth in Persons	4,454	3,224	4,382	3,879	5,985	3,278	4,846	1,706	4,980	N/A

Service demands and cost of services are related to population size, so the relationship between taxable value and inflation paints only half the revenue picture. For per capita property tax revenues to remain stable, increases in taxable value should not only keep pace with inflation but also with population increases. Review of per capita tax valuations on the following page is necessary to gain a more complete understanding of the significance of this indicator.

ALACHUA COUNTY PER CAPITA TAXABLE VALUATIONS
INDICATOR #4-B



DEFINITION OR PURPOSE

Formula:

$$\frac{\text{Taxable Valuation (Constant \& Unadj Dollars)}}{\text{Total Population}}$$

Per Capita taxable valuations are an indicator of the amount of revenue that may be available to fund government services.

WARNING TREND

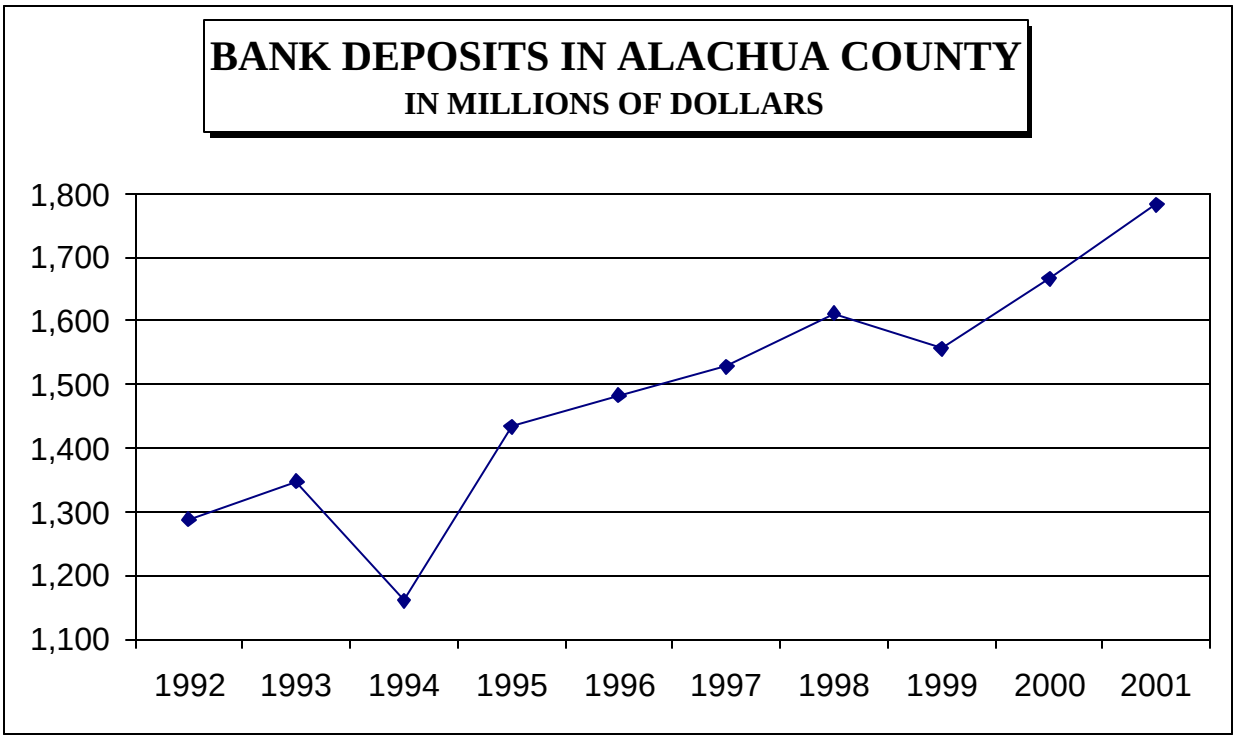
Decreasing rate of growth or decrease in per person taxable valuation.

ANALYSIS

In general, since 1993, per capita taxable valuations in constant dollars have been slowly increasing.

The message in this graph is very revealing in conjunction with the graphs on the preceding page. Viewed in terms of expenditures per person, the graph shows that property taxes are, after removing the effects of inflation, providing little revenue for additional expenditures per person and therefore service enhancements must be provided through other revenue sources, through cutbacks in existing programs, or through increases in efficiency of service delivery.

ALACHUA COUNTY TOTAL BANK DEPOSITS
INDICATOR #4-C



ANALYSIS

The graph shows a period of growth from 1992 to 2001. From 1992 to 2001, total bank deposits have been steadily increasing with the exception of temporary declines in 1994, and 1999. Overall, total bank deposits have increased 38 percent from $1.28 billion in 1992 to $1.78 billion in 2001. This is a positive trend for the County.

DEFINITION OR PURPOSE

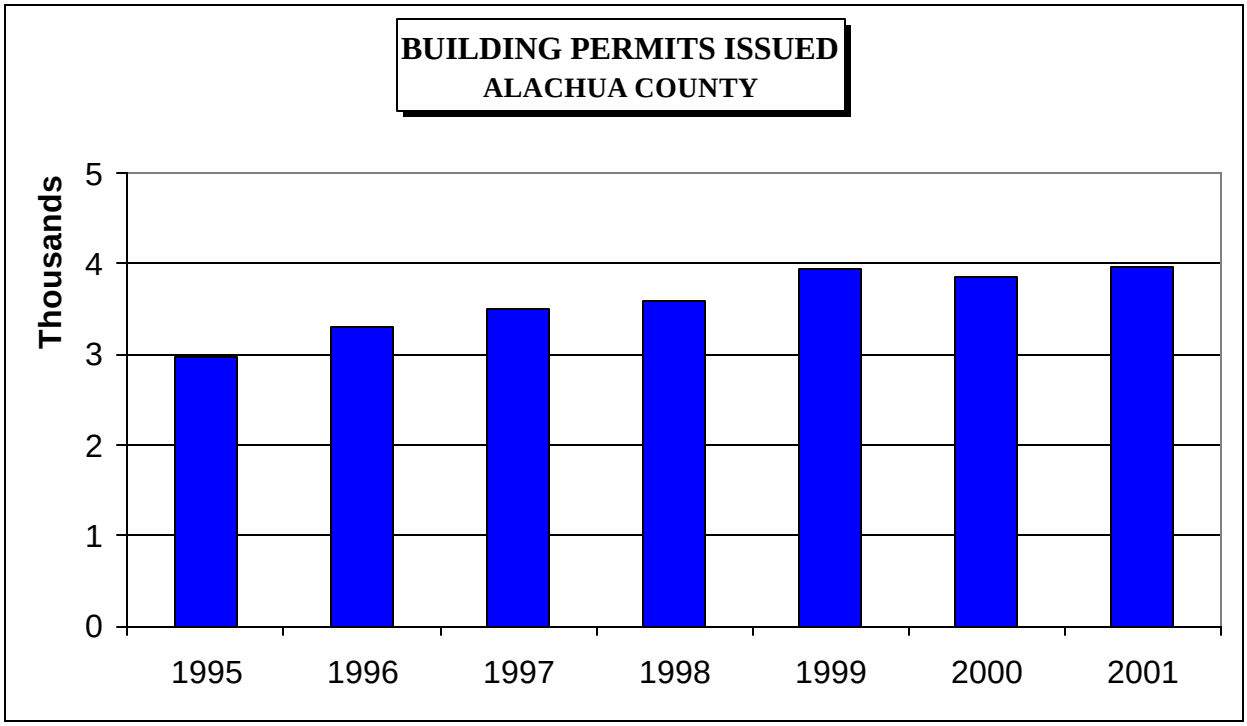
Formula:
Total Bank Deposits for Alachua County.
Source: Florida Banker's Association

Total Bank Deposits are an indicator of the amount of revenue that may be available to citizens of the County.

WARNING TREND

Decreasing or stagnant bank deposits for more than one year.

ALACHUA COUNTY BUILDING PERMITS ISSUED
INDICATOR #4-D



ANALYSIS

The graph shows a period of sustained growth from 1995 to 2001 with a slight decrease in 2000. Future numbers should be closely watched for any steady period of decline. Overall, total building permits issued have fluctuated between a low of 2,961 in 1993 to a high of 3,969 in 2001. Total building permits issued increased by 33% from 1995 to 2001. However, it should be noted that from 1999 through 2001 the number of permits issued has been stagnant. This constitutes a warning trend since it shows stagnation in building activity.

DEFINITION OR PURPOSE

Formula:
Total Building Permits issued in Alachua County.

Source: Alachua County Codes Enforcement

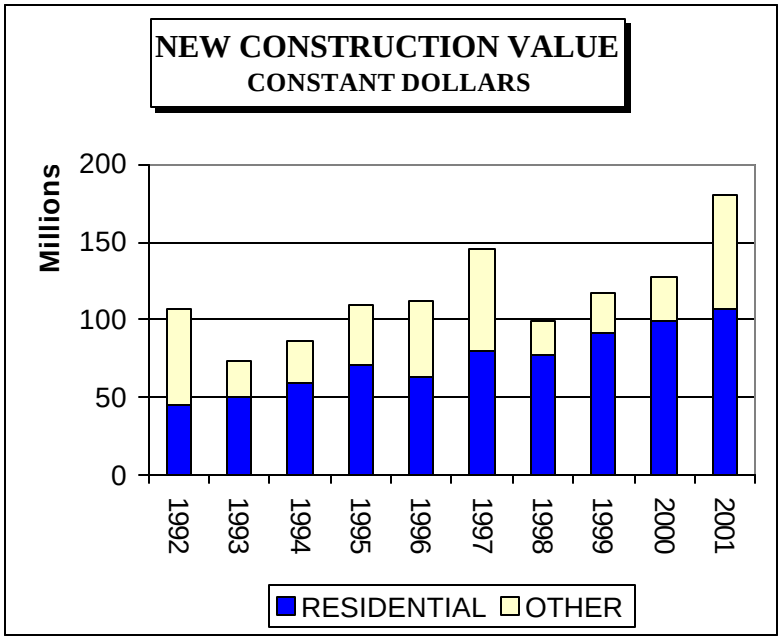
Building Permits issued is an indicator of the amount of economic growth occurring in the County.

WARNING TREND

Decreasing or stagnant numbers of building permits issued for more than one year.

NEW CONSTRUCTION IN ALACHUA COUNTY
INDICATOR #4-E

Figure 1



DEFINITION OR PURPOSE

Formula: Figure 1

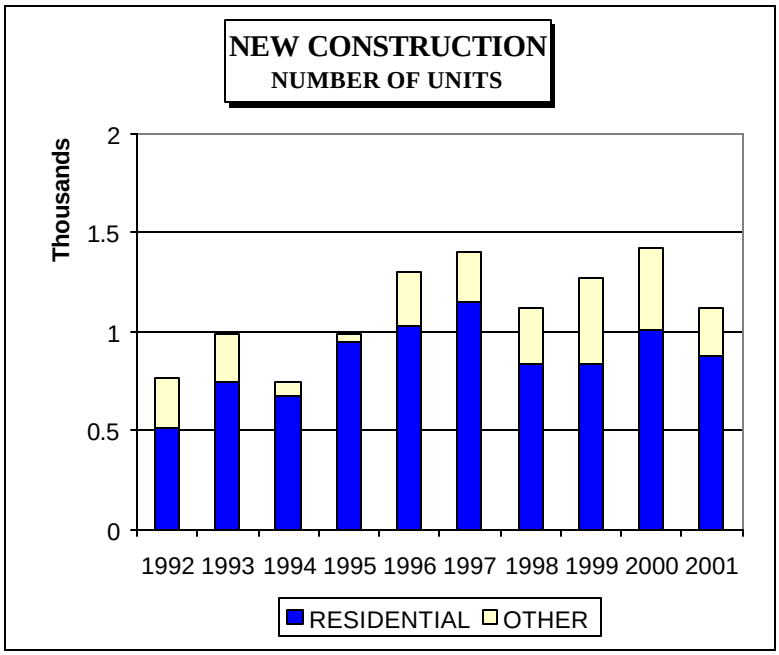
Dollar Value of New Construction in Alachua County.

Formula: Figure 2

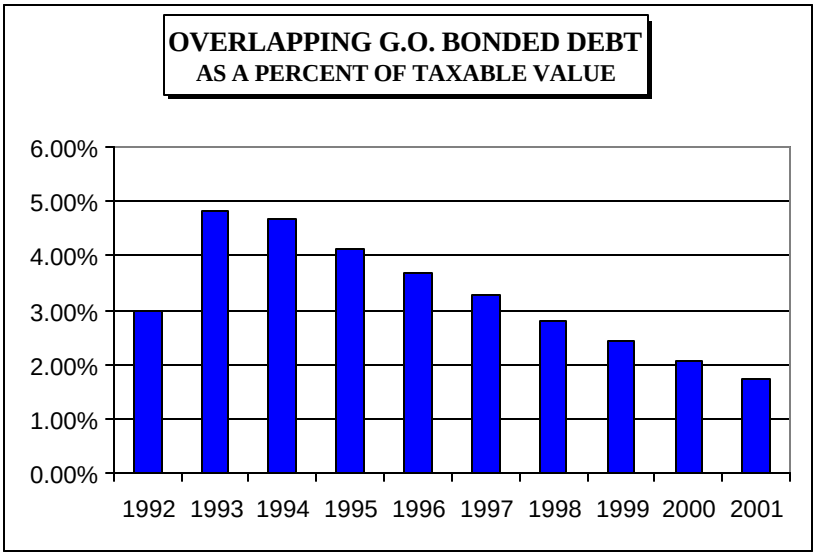
Number of Units of New Construction in Alachua County.

Source: Alachua County Property Appraiser

Figure 2



OVERLAPPING DEBT
INDICATOR #5



DEFINITION OR PURPOSE

Formula:

Long-term Overlapping General Obligation Bonded Debt

Assessed Valuation

Overlapping debt is the general obligation bonded debt of another jurisdiction which is secured by taxable real estate located within Alachua County. General obligation bonded debt includes debt which is secured by the authority to levy taxes on real estate. Jurisdictions currently issuing net direct debt and included in this indicator are the Library District, the School Board, and the City of Gainesville. The level of overlapping debt is only that debt applicable to the property shared between the County and any of the other jurisdictions.

WARNING TREND

Increasing long-term overlapping bonded debt as a percent of assessed valuation.

ANALYSIS

The overlapping debt indicator measures the ability of the County's tax base to repay the net direct debt obligations (defined as general obligation bond issues only) issued by all of its governmental and quasi-governmental jurisdictions. Overlapping debt should be considered along with the County's own debt in assessing total indebtedness. The reasons are twofold. First, during depressed economic times, the County would be affected by the same adverse conditions as an overlapping or underlying agency, rendering the burden of that debt even more severe. Under this or other similar conditions the total debt burden and thus each affected property owner's ability to pay must be considered by all debt issuers. Secondly, overlapping debt is a debt rating criteria.

The substantial increase in 1993 is due to additional School Board debt.

It should be noted that the voters in November 2000, approved a General Obligation Bond to purchase conservation lands. That approval was for a maximum debt service of .25 mills. The County expects to purchase property beginning in the second quarter of FY01/02. Short-term financing for initial purchases will be provided from Florida Association of Counties Pooled Commercial Paper Program. Long-term financing will be used to repay short-term borrowings and to provide additional funds to expand property purchases. The County expects to utilize long-term financing in 2003.

This indicator does not include the new Sales Tax and Public Improvement Bonds, since these bonds are not supported by property taxes.

Indicator #15-B, showing industry benchmarks, should be examined in conjunction with this graph.

OVERLAPPING DEBT - Analysis of Indicator #5, concluded

The overlapping debt ratios in the table increased from 1992 to 1993 with the addition of the School Board District debt Library District bond issue . From 1994 to 2001 the debt ratios have been steadily decreasing.

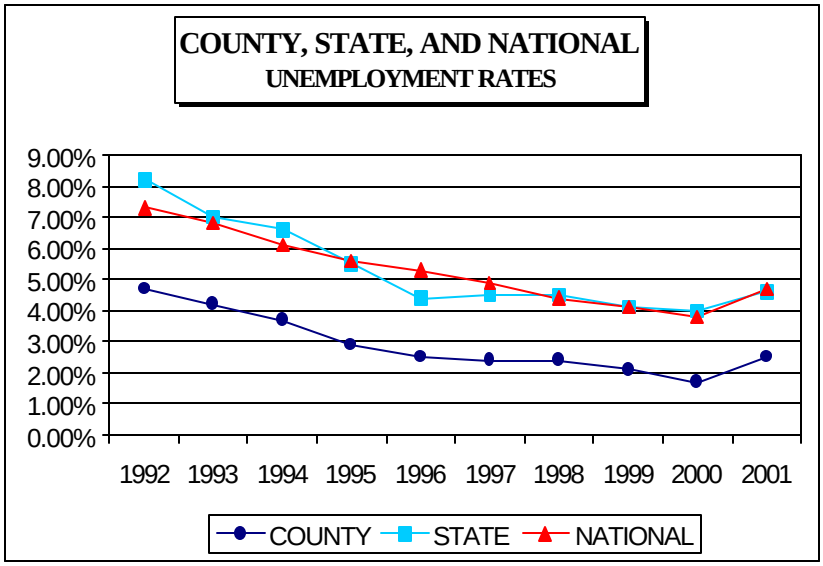
OVERLAPPING DEBT RATIOS
ALL JURISDICTIONS WITHIN THE COUNTY

Fiscal Year	Overlapping Debt	Debt Per Capita	Overlapping Debt to Taxable Value
1992	$ 87,023,480	$ 467	2.99%
1993	$ 144,543,480	$ 758	4.83%
1994	$ 144,081,881	$ 743	4.66%
1995	$ 137,258,092	$ 692	4.12%
1996	$ 132,102,017	$ 654	3.67%
1997	$ 124,497,951	$ 598	3.29%
1998	$ 115,380,000	$ 546	2.79%
1999	$ 107,080,000	$ 495	2.42%
2000	$ 98,440,000	$ 452	2.05%
2001	$ 90,495,000	$ 406	1.74%
Industry Benchmark (1)		$ 1,161	2.50%

(1) Industry Benchmark Source: Moodys Investors Service Public Finance Dept. Publication: Medians

EMPLOYMENT BASE
INDICATOR #6

Figure 1



DEFINITION OR PURPOSE

Figure 1

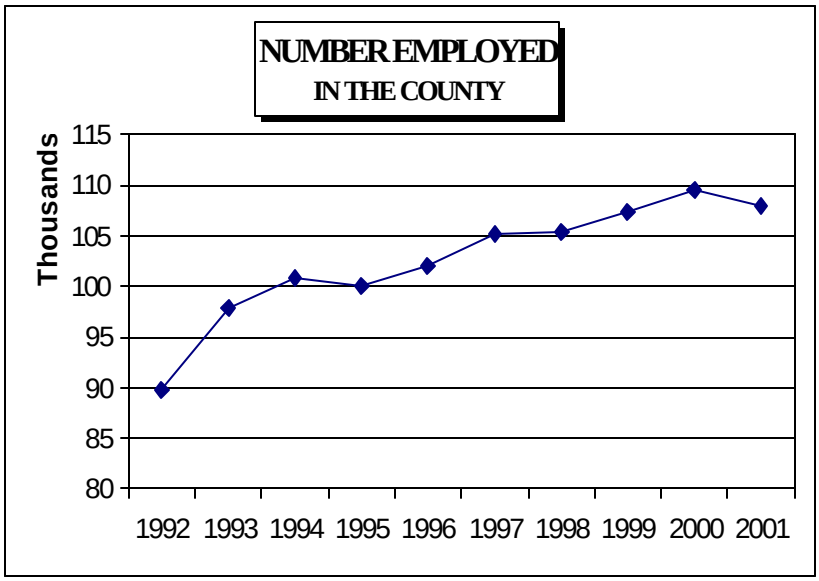
Local, State and National Unemployment Rates

Figure 2

Number of Employed People Within the Community.

A change in the unemployment rate or the number of jobs in the community affects business activity and the County's ability to support its business sector.

Figure 2



WARNING TREND

A decline in the number of people employed within the community or increasing rate of unemployment.

EMPLOYMENT BASE - Analysis of Indicator #6

ANALYSIS

If the employment base is growing, if it is sufficiently diverse to provide a cushion against short-run economic fluctuations or a downturn in one sector, and if it provides sufficient income to support the local business community, then it will have a positive influence on the local government's financial condition. A decline in the employment base - as measured by the number of available jobs can be an early sign that overall economic activity is declining and that government revenues may be declining as well. Figure 2 shows a decrease in the number employed in 2001. this is likely a reflection of the national economy but bears watching.

Alachua County has consistently maintained a low unemployment rate throughout the decade. This has been the case even though Alachua County has a high population percentage in the labor force. Large stable employers such as the University of Florida and the numerous government agencies contribute to this low rate. Figure 1 reveals that the recession had an effect on the unemployment rate, causing it to increase in 2001. However, the unemployment rate has steadily declined since 1993 with a slight increase in 2001. This trend should be monitored for further increases.

The chart does not address underemployment, low wages, or lack of advancement opportunities. Figure 2 shows increases in the labor force throughout the decade. The two graphs together paint a picture of a growing labor force combined with a low unemployment rate.

OPERATING POSITION

Operating position refers to a government's ability to (1) balance current liabilities and current assets on a current basis, (2) maintain reserves for emergencies, and (3) maintain sufficient cash to pay its bills on a timely basis.

During a typical year a government will usually generate either an operating surplus or an operating deficit. An operating surplus develops when current revenues exceed current expenditures. An operating deficit develops when the reverse occurs. In rare instances revenues and expenditures may exactly balance. An operating surplus or deficit may be created intentionally as a result of a conscious policy decision or may be created unintentionally because it is difficult to predict revenues and expenditures precisely. When deficits occur they are usually funded from accumulated fund balances; when surpluses occur they are usually dedicated to building fund balances or to funding future years' operations.

Fund balances are built through the accumulation of operating surpluses. They are maintained for the purpose of providing a financial cushion in the event of:

- Loss of revenue source;
- Economic downturn;
- Unanticipated expenditure demands due to natural disasters, insurance loss and the like;
- Need for large-scale capital expenditures or other non-recurring expenses; or
- Uneven cash flow.

Liquidity refers to the flow of cash in and out of the government's treasury. Governments often receive their revenues in large installments at infrequent intervals during the year. If revenues are received before they will be spent, the government will have a positive liquidity or cash flow position. It is to a government's advantage to have some excess liquidity or "cash reserves" as a cushion in the event of an unexpected delay in receipt of revenues, an unexpected decline or loss of a revenue source, or an unanticipated need to make a large expenditure. For whatever reason, if a government has a negative cash flow and has no cash reserves, it must borrow or put off paying its bills.

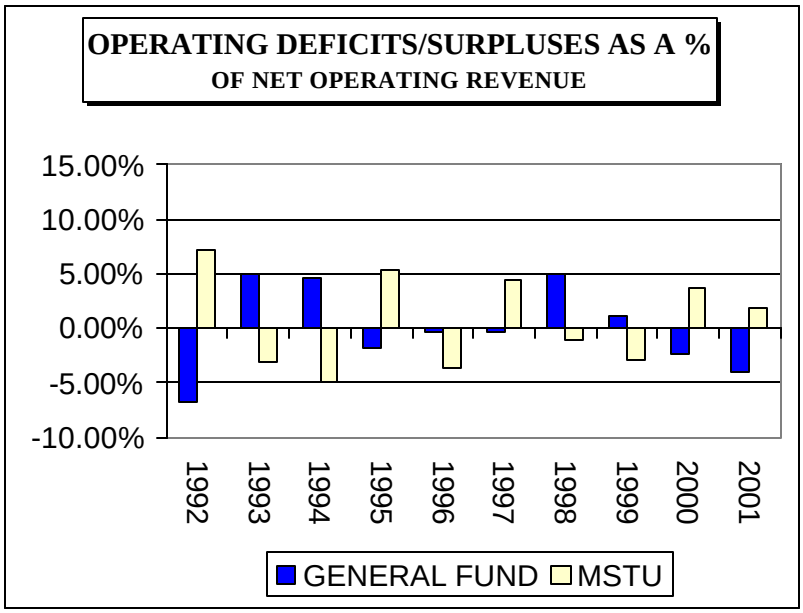
An analysis of operating position can help identify the following situations:

- Emergence of operating deficits;
- Decline in reserves;
- Decline in liquidity;
- Ineffective revenue forecasting techniques; or
- Ineffective budgetary controls.

The examination of operating position focuses on three areas. These are:

1) Operating Deficits
2) General Fund Balances
3) Liquidity

OPERATING SURPLUSES AS A PERCENT OF OPERATING REVENUES
INDICATOR #7



DEFINITION OR PURPOSE

Formula:

$$\frac{\text{Operating Deficits/Surpluses}}{\text{Net Operating Revenues}}$$

Operating surpluses occur when current revenues exceed current expenditures. Both General Fund and MSTU operating surpluses are compared to net operating revenues to calculate this trend.

WARNING TREND

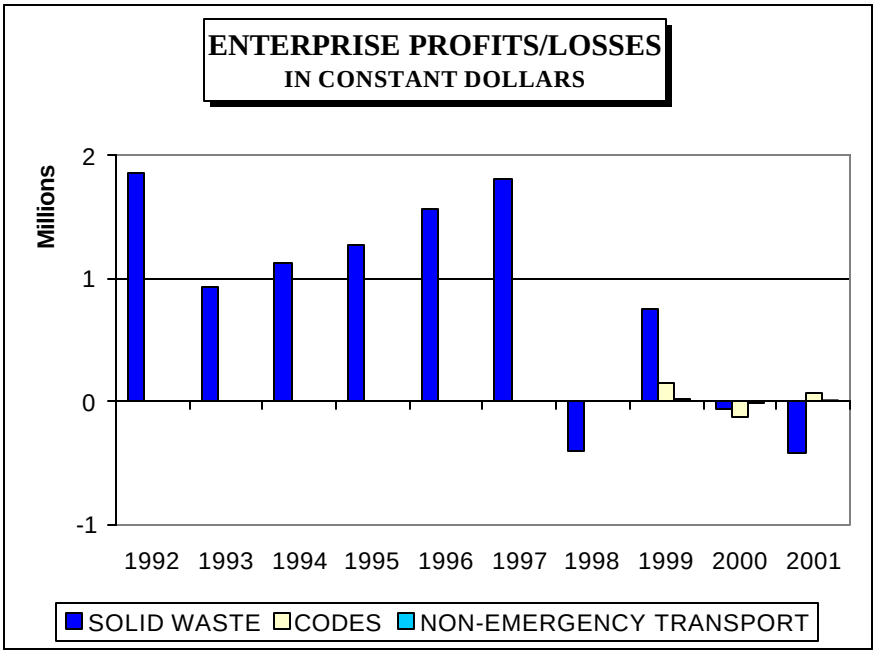
Increasing amount of General Fund or MSTU operating deficits as a percentage of net operating revenues.

ANALYSIS

Surpluses occur when current revenues exceed current expenditures. Operating surpluses are an indicator of a healthy financial condition. There are nuances to this indicator that are not fully explored in the warning trend. An operating deficit in a single year would be considered a minor warning signal; however, frequent and increasing deficits can indicate that current revenues are not supporting current expenditures.

The graph shows operating deficits in several of the past ten years. These deficits were planned as a way to reduce fund balances that had grown past target levels. While these deficits are small as a percentage of net operating revenues and were planned, they should continue to be monitored.

ENTERPRISE PROFIT/LOSS
INDICATOR #8



DESCRIPTION OR PURPOSE

Enterprise Profits or Losses (constant dollars):

Enterprise funds are expected to function as if they are commercially operated private entities. This means that the costs of providing goods and services to the public are recovered through user charges.

WARNING TREND

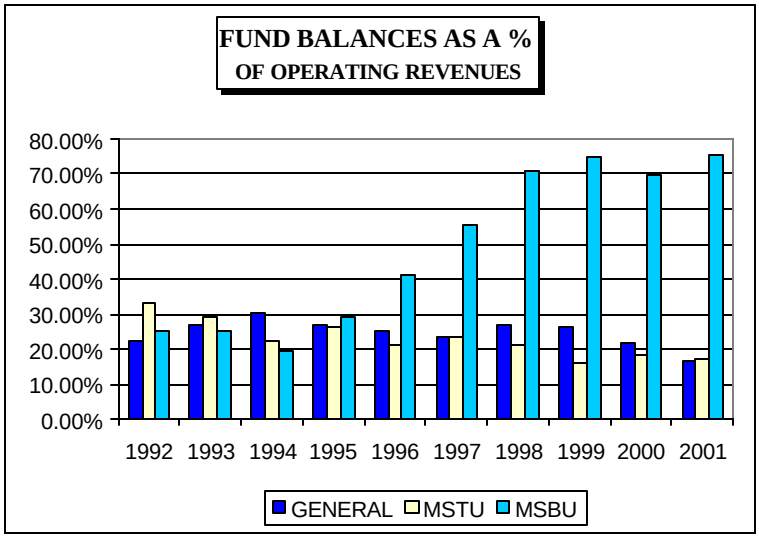
Recurring enterprise losses (deficits) in constant dollars.

ANALYSIS

Enterprise funds are highly visible due to the nature of their business; the costs of providing goods and services are required to be recovered through user charges.

During fiscal year 2001, the Solid Waste fund incurred a loss. Solid Waste net loss for fiscal year 2001 was $740,208. The loss was due to an increase in personal service, indirect cost, and other services and charges. In fiscal year 2001, codes enforcement net income was $115,491. Non-Emergency Transport net income for fiscal year 2001 was $9,623. The loss are within the Solid Waste fund should be monitored. Governmental enterprises should approximately break even so some years of small losses and small profit are to be expected.

FUND BALANCES AS A PERCENT OF OPERATING REVENUES INDICATOR #9



DEFINITION OR PURPOSE

Formula:

$$\frac{\text{Unreserved fund balances}}{\text{Net Operating revenues}}$$

The level of fund balances may determine a local government's ability to withstand unexpected financial emergencies and if advisable, accumulate funds for capital purchases without having to borrow.

WARNING TREND

Declining unreserved fund balances as a percentage of net operating revenues

ANALYSIS

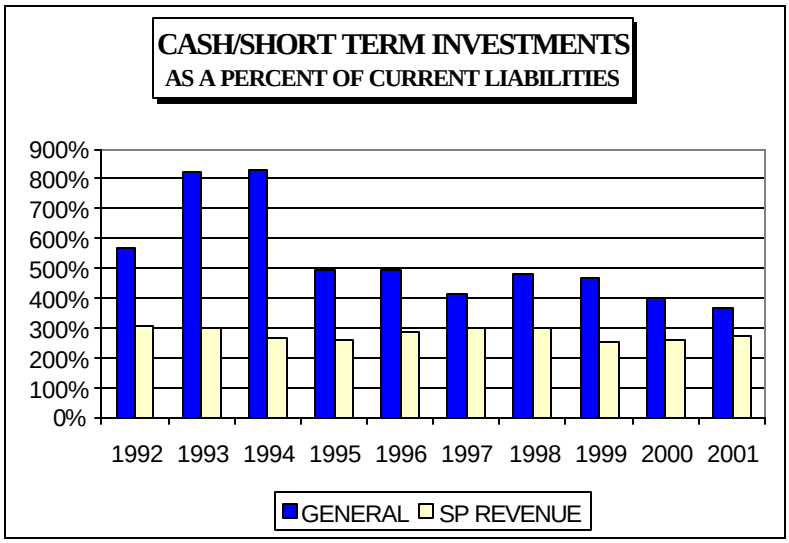
Positive fund balances can be thought of as reserves, or saving accounts which can be used for the provision of operating capital and fund operations without resorting to the issuance of debt. The level of fund balance may determine the County's ability to withstand financial emergencies such as natural disaster, revenue shortfalls or steep rises in inflation. A decline in the fund balance may mean that the County may not be able to meet a future need. The fund balance levels must also be adequate to cover temporary cash shortfalls, those periods when cash outflow exceeds cash income. A typical example is the annual fluctuation in ad valorem tax revenues.

From October to late November, the County receives very little ad valorem tax revenue (property taxpayers have until November to pay their property tax without penalty), however the fiscal year begins in October which creates a lag in revenue receipt and the need to use existing fund balances. The fund balance policy requires that each operating fund will maintain adequate fund balance to meet operating expenditures until ad valorem taxes and other revenues exceed expenditures.

As demonstrated in the graph, fund balances were analyzed for the General Fund, Municipal Services Taxing Unit (MSTU) and the Municipal Service Benefit Unit (MSBU). Since 1992, the County's fund balance policy has required 60 days cash availability (approximately 16.4 percent); the resulting excess fund balance is available to be budgeted primarily for capital purchases.

In 2001, General Fund fund balance decreased by $2,492,565. MSTU increased by $404,852 and MSBU increased by $295,847.

LIQUIDITY
INDICATOR #10



DEFINITION OR PURPOSE

Formula:

Cash/Short Term Investments

Current Liabilities

A good measure of a County's short-run financial condition is its cash position (liquidity).

WARNING TREND

Decreasing amount of cash and short-term investments as a percentage of current liabilities.

ANALYSIS

Cash position or liquidity, which includes cash on hand and in the bank, as well as other assets that can be easily converted to cash, determines a government's ability to pay its short-term obligations. The effect of insufficient liquidity is the insolvency, or the inability to pay bills as they come due. Declining liquidity may indicate that the County has overextended itself.

A good measure of a County's liquidity is the ratio of cash and short-term investments to current liabilities. A ratio of less than one-to-one would be considered a current account deficit while a ratio of greater than one-to-one would be considered a current account surplus.

As demonstrated in the graph, the County has an excellent liquidity position. In fiscal year 1999 to 2001 liquidity decreased slightly in the General Fund, which was due to planned draw down of fund balances. Liquidity was essentially stable over the 10 years in the Special Revenue Funds. The healthy financial condition illustrated in this graph reflects the sound financial policy regarding fund balance.

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REVENUES

Revenues determine the capacity of a government to provide services. In evaluating revenues one must consider such aspects as growth, diversity, reliability, flexibility and administration. Under ideal conditions, revenues grow at a rate equal to or greater than the combined effects of inflation and expenditure pressures, they are sufficiently flexible, i.e., free from spending restrictions to allow necessary adjustments to changing conditions, and they are relatively balanced between elastic and inelastic revenue sources. That is, some respond to changes in economic conditions, while others remain relatively constant. They are diversified, so as not to be overly dependent on residential, commercial, industrial land uses, or external funding sources such as federal grants or discretionary state aid. In addition, user fees are regularly reevaluated and adjusted to cover the cost of providing services.

Analysis of the revenue structure is done to identify the following types of problems:

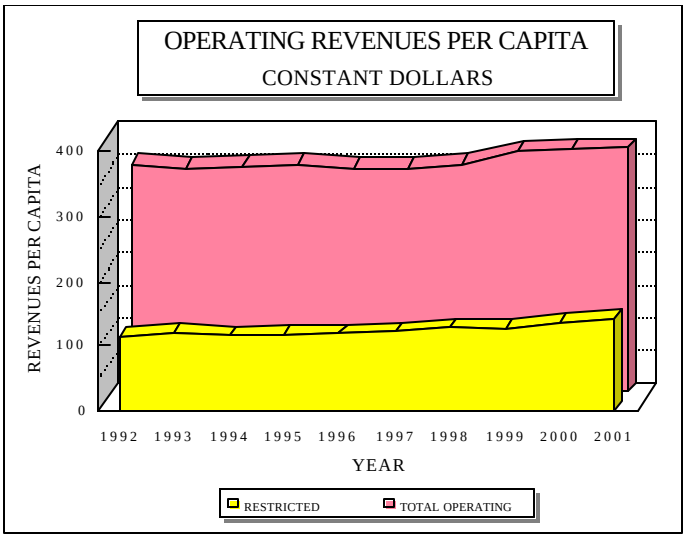
- Deterioration in revenue base.
- Internal procedures or legislation policies that may adversely affect revenue yields.
- Over dependence on obsolete or external revenue sources.
- Changes in tax burden.
- Inefficiency in the collection and administration of revenues.

The examination of revenues focuses on six areas. These are:

1. Operating Revenues
2. Restricted Revenues
3. Intergovernmental Revenues
4. Elastic Tax Revenues
5. One-Time Revenues
6. Property Tax Revenues - Community Resources Section

Operating revenue is total revenue as reported in the CAFR (Comprehensive Annual Financial Report) for both governmental and proprietary funds, less the Library District.

REVENUES PER CAPITA
INDICATOR #11



DEFINITION OR PURPOSE

Formula:

Restricted

Restricted Revenues

County Population

Total Operating

Total Operating Revenue

County Population

Examining per capita revenues shows changes in revenues relative to changes in population size. It is assumed that service demands, cost of services, and revenues are directly related to population size. Included are general fund, special revenue fund, debt service, and capital project revenues.

ANALYSIS

As population increases, it might be expected that revenues and the need for services would increase proportionately, and therefore that the level of per capita revenues would remain at least constant in real terms. If per capita revenues are decreasing, the County may be unable to maintain existing service levels unless it finds new revenue sources or ways to save money. Again, this reasoning assumes that the cost of services is directly related to population size.

WARNING TREND

Decreasing net operating revenues per capita (in constant dollars).

Increasing restrictive revenues per capita (in constant dollars).

Operating Revenues - Summary

As can be seen in the graph, per capita operating revenue, in constant dollars, has increased over the last ten years from $350 per capita in 1992 to $374 in 2001, a 7 percent increase after removing inflation and adjusting for increasing population.

Restricted Revenues - Summary

Restricted revenues per capita are increasing slightly. This in some measure is due to restrictive State laws for raising revenues. Increased reliance on restricted revenues should be carefully watched.

Operating Revenues - Detail

The tables below list the large state shared revenues included in operating revenue, in constant dollars and per capita constant dollars. In constant dollars there was almost no increase (2%) in gas taxes in fiscal years 1992 through 2001. Sales taxes rose 37% from 1992 through 2001.

TABLE 1: MAJOR STATE SHARED REVENUES - CONSTANT DOLLARS

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Gas Taxes	$4,649,009	$4,689,734	$4,447,704	$4,594,587	$4,681,120	$4,696,375	$4,667,358	$4,734,816	$4,689,781	$4,752,483
Sales Tax	$3,724,112	$4,339,873	$4,200,944	$4,770,251	$4,959,156	$4,588,718	$4,754,455	$4,839,235	$4,978,718	$5,096,734

Table 2 tells us that gas taxes per capita, in constant dollars, are at a lower level in 2001 than they were in 1992. Per capita sales tax, in constant dollars, is at a higher level in 2001 than in 1992.

TABLE 2: MAJOR STATE SHARED REVENUE - PER CAPITA, CONSTANT DOLLARS

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Gas Taxes	$24.97	$24.60	$22.94	$23.17	$23.16	$22.57	$22.08	$21.90	$21.69	$21.32
Sales Tax	$20.00	$22.76	$21.67	$24.06	$24.53	$22.05	$22.49	$22.38	$23.02	$22.86

The County's ability to increase revenues is extremely limited by constitutional and statutory restrictions and legislative mandate. Discretion in financial matters is curtailed in any number of ways by State government. A study conducted by the U.S. Advisory Commission on Intergovernmental Relations (ACIR) found that in financial affairs Florida's cities and counties faced some of the most restrictive constitutional and statutory provisions in the country ["A Profile of Florida Municipal & County Revenues", ACIR 89-3, March 1989.]

As can be seen in Table 1, it appears that annexation did not significantly affect sales tax revenue from 1993 through 2001. In subsequent years, however, there may be adjustments to some state shared revenues due to annexation.

Stable to slightly increasing revenues coupled with essentially stable to slightly increasing expenditures turns the budget process into a series of allocation decisions. New programs or an increase in program service levels must come at the expense of other, existing programs or as the result of increased productivity.

REVENUES PER CAPITA - Analysis of Indicator #11, concluded

Restricted Revenues - Detail

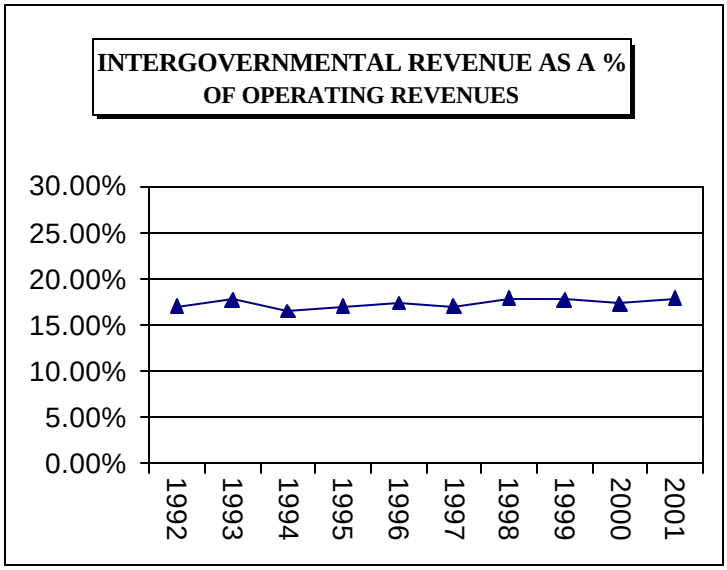
The danger of restricted revenues to the County's financial health is the possibility of over dependence on the revenues and the programs they support. A high percentage of restricted revenues is unhealthy. As the percentage of restricted revenues increases, county government begins to lose control over its revenue base and thus its ability to respond to changing conditions. In a word, the government loses flexibility -- to shift revenues and alter program emphasis.

Increases in restricted revenues may also indicate over dependence on external revenues and signal a future inability to maintain service levels were these revenues to fall or cease. Over dependence on restricted revenues can also leave the County vulnerable to the changing circumstances of external funding agencies. Externally imposed requirements may distort local priorities.

However, it would be misleading to end the discussion here after stressing only the negative consequences of restricted revenues. These revenues are a perfectly normal source of local government finance, and this is especially true in Alachua County. The bulk of these revenues and the corresponding restrictions are locally imposed -- MSTU, MSBU, debt service, and local option gas tax are a large portion of the county's restricted revenues. The two biggest concerns lie first, in nonlocal restricted sources such as grants and the budgetary effect were these sources to dry up and second, an increasing reliance on restricted revenues from any source even MSTU, MSBU and gas taxes signifies growing financial inflexibility. Answering these questions should be the subject of further analysis.

The County's restricted revenues per capita have risen steadily since 1992 -- from $114 to $143 in 2001. However, restricted revenues have remained a constant portion (approximately 17%) of total revenues over those same years. This should be examined in conjunction with indicators 4-A and 4-B which examines the County's largest source of unrestricted revenue, property taxes.

INTERGOVERNMENTAL REVENUE AS A PERCENT OF OPERATING REVENUES INDICATOR #12



DEFINITION OR PURPOSE

Formula:

Intergovernmental Operating Revenues

Gross Operating Revenue

Intergovernmental revenues are any revenue received from another government. These include such revenues as: state-shared gas taxes, state 1/2 cent sales tax, state revenue sharing, state and federal grants.

WARNING TREND

Increasing amount of intergovernmental operating revenues as a percentage of gross operating revenues.

ANALYSIS

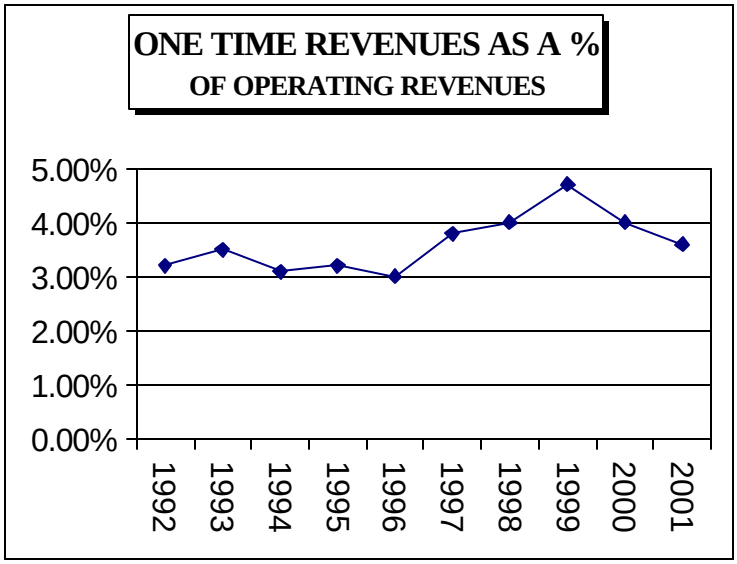
Intergovernmental revenues as a percent of operating revenues have increased slightly over the reporting period, from 17.1 percent of gross operating revenues in 1992 to 17.9 percent in 2001. In unadjusted dollars, intergovernmental revenues have increased from $15.6 million to $26.7 million over the ten-year period. Bond proceeds are not included in this analysis.

Intergovernmental revenues have an important place in financing County operations. They help to soften local tax impacts and since they are the result of taxes imposed by other governments, they have favorable local political implications. The County can also benefit from the potentially greater revenue generating capacity of another government. State-shared gas tax revenues are a prime example of this increased capacity. However, many of the concerns expressed in Indicator #11 regarding restricted revenues also apply here. Tracking the intergovernmental revenue indicator is important because of the harm an over dependence can do if the revenues are reduced or withdrawn. In such cases, the County can be left with the unpalatable choice of cutting programs or finding other revenue sources in a tight budget.

In addition, conditions attached to externally derived revenues may prove costly, especially if the conditions are changed after the County finds itself dependent on the program. A primary concern for the County in tracking and analyzing intergovernmental revenues is determining whether we are controlling the use of external revenues -- or whether the revenues are controlling us. Two important questions should be asked: (1) Does the County have contingency plans in case the revenues are significantly reduced or discontinued and what will the political, social, and economic consequences be if programs are discontinued? and (2) Are matching funds increasing as a percentage of operating expenditures?

The good news is that the County is not heavily dependent on intergovernmental revenues. The percentage of intergovernmental revenues as a percent of operating revenues has increased only slightly over the past decade. This is the result of sound financial management.

ONE-TIME REVENUES
AS A PERCENT OF NET OPERATING REVENUES
INDICATOR #13



DEFINITION OR PURPOSE

Formula:

One-Time Operating Revenues

Operating Revenue

A one-time revenue is one that cannot reasonably be expected to continue, such as federal or state grants or sale of property.

WARNING TREND

Increasing use of one-time operating revenues as a percentage of net operating revenues.

ANALYSIS

One-time revenue as a percentage of net operating revenues has increased over the ten-year reporting period from 3.2 percent in 1992 to 3.6 percent in 2001. In unadjusted dollars, one-time revenues have increased from $3.0 million in 1992 to $5.3 million in 2001. This is not a significant increase although it should continue to be monitored.

If one-time revenue amounts were more significant, this ten-year increase could be considered a warning trend. But since one-time revenues comprise such a small portion of the total expenditures, this increase is not considered particularly ominous. It does bear watching, however, and will become of much greater concern if the trend continues at the same rate of increase. Most of the revenues defined as one-time are federal and state grants. However, use of fund balance is also considered a one-time revenue. Many of the factors discussed in the analysis of Revenue Indicator #11 have bearing on this indicator as well.

Continual use of one-time revenues to balance the annual budget can indicate that the revenue base is not strong enough to support current service levels. It can also mean that the County is incurring operating deficits and would have little room to maneuver if there were a downturn in revenues (such as occurs during a regional or national recession or because of the sudden expenditures occasioned by natural disasters). Use of one-time revenues makes the government vulnerable to large cutbacks if such revenues cease to be available, as may happen when the federal or state government reduces a major grant program or when reserves are depleted.

The significance of adequate fund balance can be readily appreciated when one speculates on the budgetary effect of nonlocal revenue cutbacks, the unanticipated effects of a natural disaster, or a surge in inflation.

EXPENDITURES

Expenditures provide a rough measure of a government's service output. Generally, the more a government spends, in constant dollars, the more service it is providing. This reasoning does not take into account how effective the services are or how efficiently they are delivered. The first issue to consider is expenditure growth rate to determine whether a government is living within its revenues.

Because state and local governments are required to have a balanced budget, it would seem unlikely that expenditure growth would exceed revenue growth. Nevertheless, there are a number of subtle ways for a government to temporarily balance its annual budget. Some of the more common ways are to defer maintenance on streets, buildings and other capital items. In each of these cases, the annual budget remains balanced, but the long-run budget is developing a deficit. Although long-run deficits can be funded through windfalls such as federal grants or surges in revenue due to inflation, there is a risk in allowing them to develop.

A second issue to consider is the level of mandatory or "fixed costs". This is also referred to as expenditure flexibility. It is a measure of how much freedom a government has to adjust its service levels to changing economic, political and social conditions. A government with a growing percentage of fixed costs will find itself less able to make adjustments and respond to changing circumstances as the percentage of debt services, matching requirements, pension benefits, state and federal mandates, contractual agreements and commitments to existing capital plant increases. As fixed costs increase, the flexibility of spending decisions decreases.

Ideally, a government will have an expenditure growth rate that does not exceed its revenue growth rate and will have maximum spending flexibility to adjust to changing conditions.

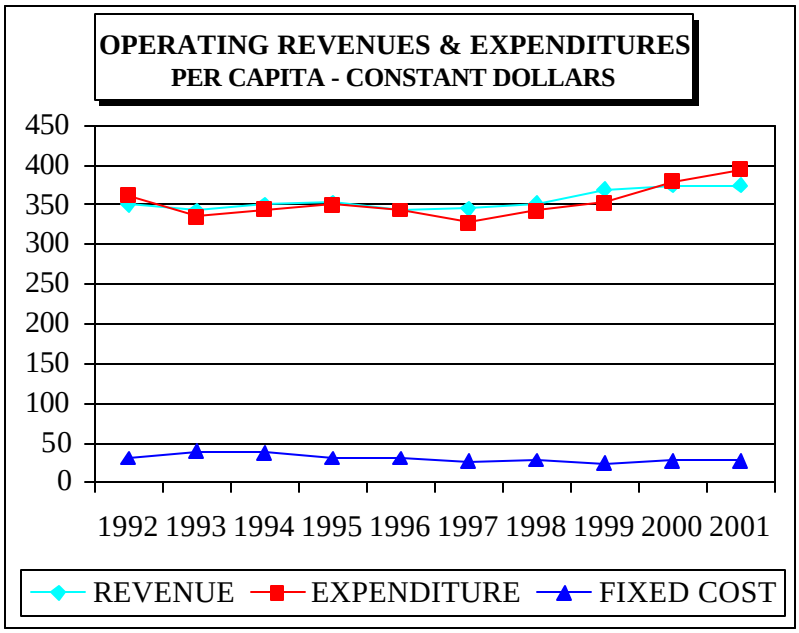
Analyzing a government expenditure profile will help identify the following types of problems:

- Excessive growth of overall expenditures as compared to revenue growth or growth in community wealth (personal and business income).
- An undesired increase in fixed costs.
- Ineffective budgetary controls.
- Excessive growth in programs that create future expenditure liabilities.

The examination of expenditures focuses on two broad areas. They are:

1. Expenditures Per Capita
2. Fixed Costs

COMPARISON OF OPERATING REVENUE AND EXPENDITURES PER CAPITA INDICATOR #14



DEFINITION OR PURPOSE

Comparison:

Net operating revenue, expenditures and fixed cost per capita, in constant dollars.

WARNING TREND

Increasing divergence in the net operating revenue and expenditure lines or an expenditure line that exceeds the revenue
line.

Increasing fixed costs.

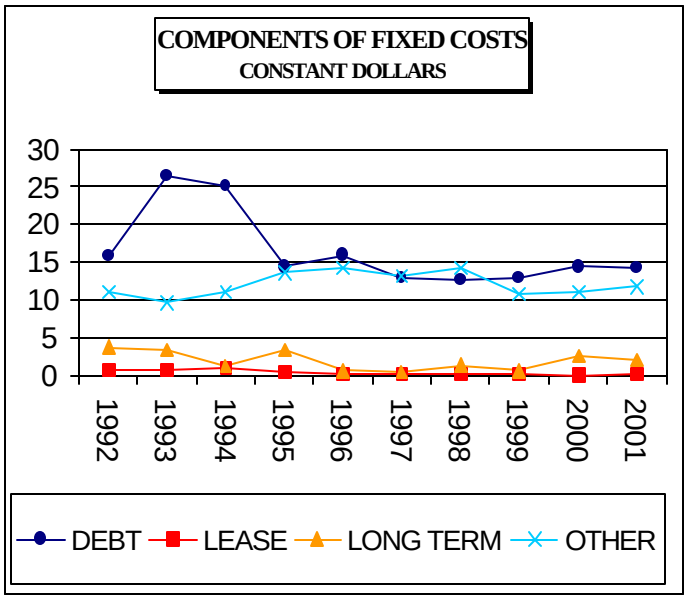
ANALYSIS

The County's per capita expenditures, net of inflation, have increased slightly during the period from $362 in 1992 to $395 in 2001. Expenditures may rise or fall because the Board of County Commissioners or the Constitutional Officers increase or reduce existing program service levels or add new programs voluntarily, or involuntarily, because of externally imposed mandates. Capital outlay expenditures that were funded by debt proceeds were excluded from expenditures in this analysis.

For much of the period the County's per capita revenues, net of inflation, have exceeded per capita expenditures, net of inflation. Per capita operating revenue increased from $350 in 1991 to $374 in 2001. However, in the past two fiscal years expenditures have exceeded revenues. This is the result of planned draw downs of fund balance. This trend does however bear watching

The fixed cost line illustrates the portion of net operating expenditures that can be attributed to fixed cost. On a per capita, constant dollar basis, fixed costs have remained approximately the same for the past ten years. This is a positive indicator.

COMPONENTS OF FIXED COSTS
INDICATOR #15-A



DEFINITION OR PURPOSE

Formula:

Fixed Costs Components (constant $)

Total County Population

Examining real per capita costs shows whether or not fixed costs are increasing or decreasing faster than population and inflation. It is apparent from this indicator that examining the components of fixed costs provide a clearer picture of just where increases or decreases are occurring.

WARNING TREND

Increasing Fixed Costs.

ANALYSIS

Fixed costs are the costs that will not vary significantly regardless of services provided, they are the minimum cost of having County government available to the citizens.

In the graph, debt and lease costs are self-explanatory, other long term fixed costs include compensated absences and self-insurance losses. Other fixed costs include utilities, telephone, and building rental costs.

Although there have been fluctuations in fixed costs over the past ten years, fixed costs have remained fairly low for a government the size of Alachua County.

In constant dollars, fixed costs have risen from approximately $5.8 million in 1992 to 5.9 million in 2001. This increase is not significant. The components of that increase can be found in Table 1.

TABLE 1: COMPONENTS OF FIXED COST INCREASE IN UNADJUSTED AND CONSTANT DOLLARS

	FISCAL YEAR 1992	FISCAL YEAR 2001	INCREASE/ DECREASE
DEBT SERVICE			
Unadjusted	$4,115,082	$5,674,645	$1,559,563
Constant $'s	$2,933,059	$3,182,639	$249,580
LEASE PURCHASE			
Unadjusted	$194,285	$66,960	$(127,325)
Constant $'s	$138,478	$37,555	$(100,923)
OTHER LONG-TERM			
Unadjusted	$976,649	$789,491	$(187,158)
Constant $'s	$696,115	$442,788	$(253,327)
OTHER FIXED COSTS			
Unadjusted	$2,883,508	$4,651,917	$1,768,409
Constant $'s	$2,055,244	$2,609,039	$553,795

COMPONENTS OF FIXED COSTS - Analysis of Indicator #15-A, concluded

TABLE 2: TOTAL FIXED COSTS UNADJUSTED AND CONSTANT DOLLARS

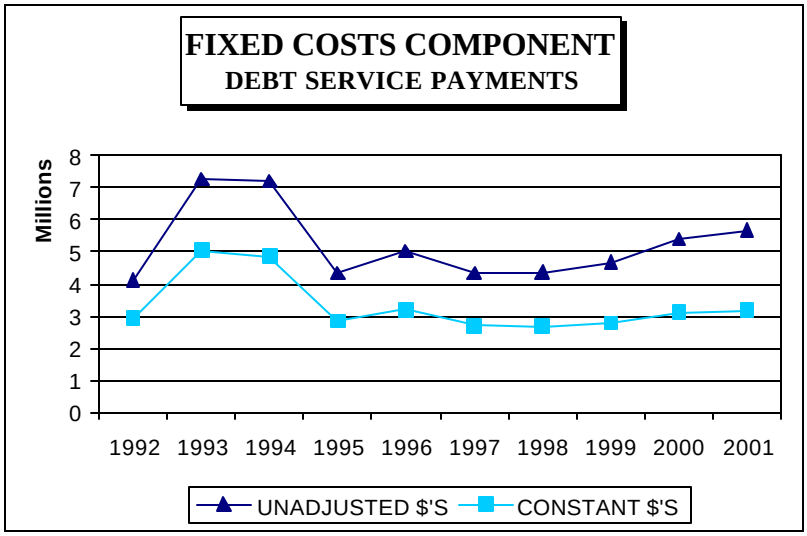
Fiscal Year	Total Fixed Costs	Total Fixed Costs (Constant $'s)	Fixed Costs Per Capita (Constant $'s)	Ratio: Fixed Costs/ Operating Expenditures
1992	$ 8,169,524	$ 5,822,897	$ 31.27	8.63
1993	$ 11,054,181	$ 7,649,952	$ 40.12	11.96
1994	$ 11,039,017	$ 7,442,703	$ 38.39	11.14
1995	$ 9,561,428	$ 6,273,903	$ 31.64	9.04
1996	$ 9,814,392	$ 6,255,189	$ 30.94	9.01
1997	$ 9,017,448	$ 5,593,950	$ 26.88	8.19
1998	$ 9,831,813	$ 6,009,666	$ 28.43	8.29
1999	$ 8,897,214	$ 5,299,115	$ 24.50	6.94
2000	$ 10,534,417	$ 6,064,719	$ 28.05	7.39
2001	$ 11,183,013	$ 6,272,021	$ 28.13	7.12

The higher the level of fixed expenditures, the less freedom county government has to adjust spending in response to economic change. Fixed costs become especially important during periods of financial retrenchment, when many of the components of fixed expenditures such as debt service are unaffected by a reduction in service levels or cannot be reduced proportionately. In fact, the Government Finance Officers Association (GFOA) defines fixed costs as the "costs of providing goods or services that do not vary proportionately to the volume of goods or services provided."

The individual components of fixed costs are examined in greater detail in the following indicators.

FIXED COST COMPONENT - DEBT SERVICE
INDICATOR #15-B

Figure 1



DEFINITION OR PURPOSE

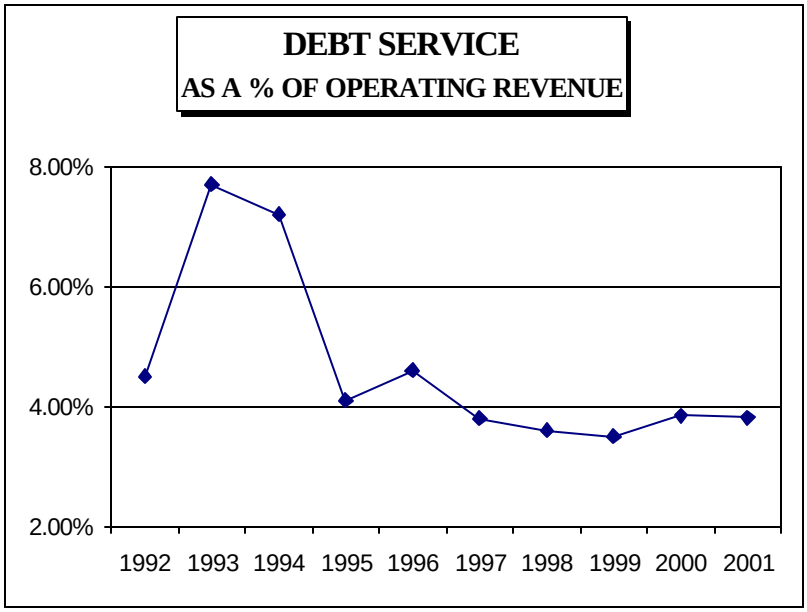
Formula: Figure 1

Debt service is the amount of principal and interest that the County must pay each year on direct bonded long-term debt. The direct bonded debt discussed here includes both general obligation and revenue bonds for all but Enterprise and Internal Service Funds

Formula: Figure 2

$$\frac{\text{Direct Debt Service}}{\text{Operating Revenues}}$$

Figure 2



WARNING TREND

Figure 2

Increasing direct debt service as a percentage of net operating revenues.

DEBT COMPONENT - Analysis of Indicator #15-B

ANALYSIS

In constant dollars debt service has increased approximately 9 percent, from $2.9 million in 1992 to $3.2 million in 2001 (Figure 1). Per capita, in constant dollars, debt service decreased from $15.8 to $14.3. Debt service as a percent of net operating revenues was 4.5 percent in 1992 and 3.8 percent in 2001 (Figure 2).

Through 1991 the County had substantial untapped debt capacity. In 1992 and 1993, however, much of that capacity was used. Currently, in 2001, the County has untapped debt capacity. The table below contrasts current industry standards for net direct debt ratios to those of Alachua County.

The table below includes all bonds payable and lease purchase agreements of the Board and Constitutional Officers except those supported by user fees (the solid waste system revenue bond). This table does not include Library District debt.

DEBT RATIOS AND INDUSTRY STANDARDS

ALACHUA COUNTY DEBT ONLY

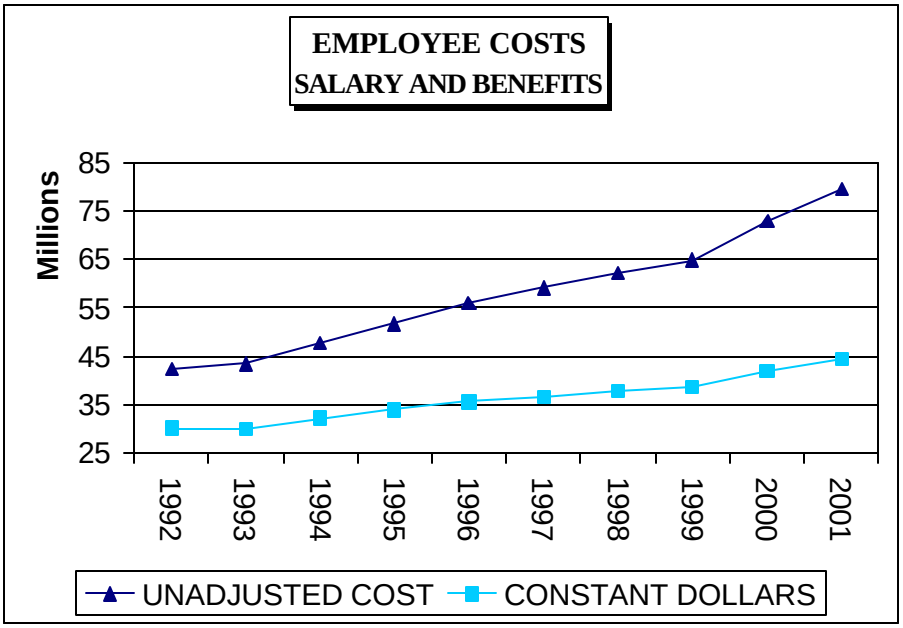
Fiscal Year		Long Term Liabilities	Per Capita	Estimated Full Value (1)	Ratio of Debt to Estimated Full Value
1992		$ 56,354,141	$ 303	$ 7,621,487,612	0.739%
1993		$ 52,062,507	$ 273	$ 7,894,012,077	0.660%
1994		$ 47,650,009	$ 246	$ 8,284,725,511	0.575%
1995		$ 45,970,889	$ 232	$ 8,787,330,507	0.523%
1996		$ 47,344,835	$ 234	$ 9,397,040,709	0.504%
1997		$ 44,837,853	$ 215	$ 10,230,937,615	0.438%
1998		$ 44,858,731	$ 212	$ 10,640,074,453	0.422%
1999		$ 57,485,000	$ 266	$ 11,254,749,876	0.511%
2000		$ 55,471,372	$ 257	$ 11,765,772,999	0.471%
2001		$ 52,876,547	$ 237	$ 12,638,786,207	0.418%
Industry Benchmark	(2)		$ 293		0.800%

(1) Estimated full value is the total value of property in Alachua County (before exemption).
(2) Industry Benchmark Source: Moodys Investors Service Public Finance Department Publication: Medians

With the issuance of new debt in 1992, Alachua County rose above both industry benchmarks. However, Alachua County is currently significantly below both benchmarks. A high amount of debt service reduces expenditure flexibility by adding to County obligations. The addition of debt without new revenue sources can place strain on the service delivery abilities of the County. The allocation decisions for available revenue will be further constrained by that debt.

EMPLOYEE COST
INDICATOR #16

Figure 1



DEFINITION OR PURPOSE

Formula: Figure 1 and Figure 2

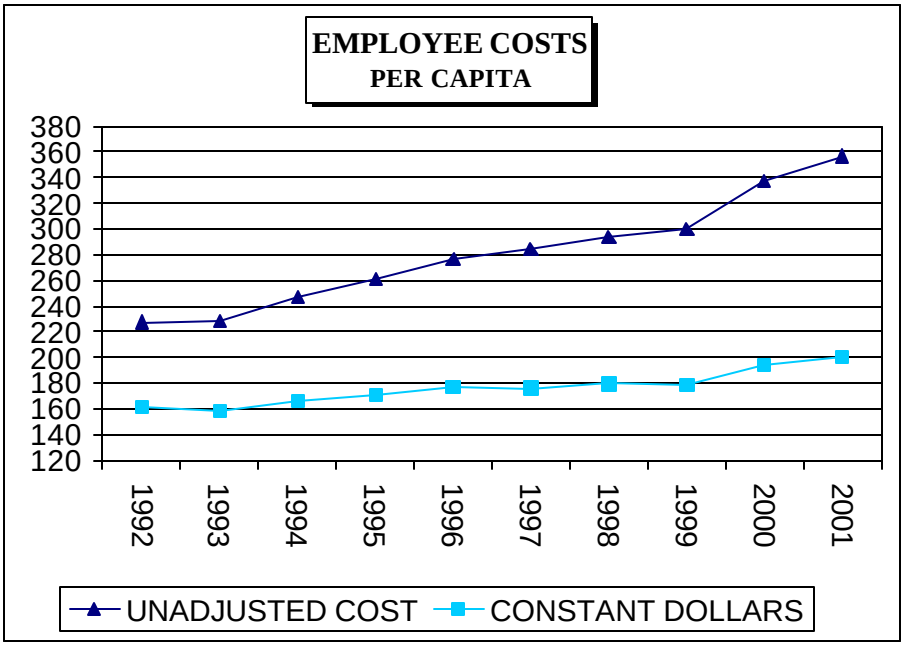
Employee costs = salaries + benefits

Formula: Figure 3

$$\frac{\text{Retirement + Insurance}}{\text{Total number of employees}}$$

Examining constant dollar and per capita employee costs shows whether or not employee costs are increasing or decreasing faster than inflation and population.

Figure 2

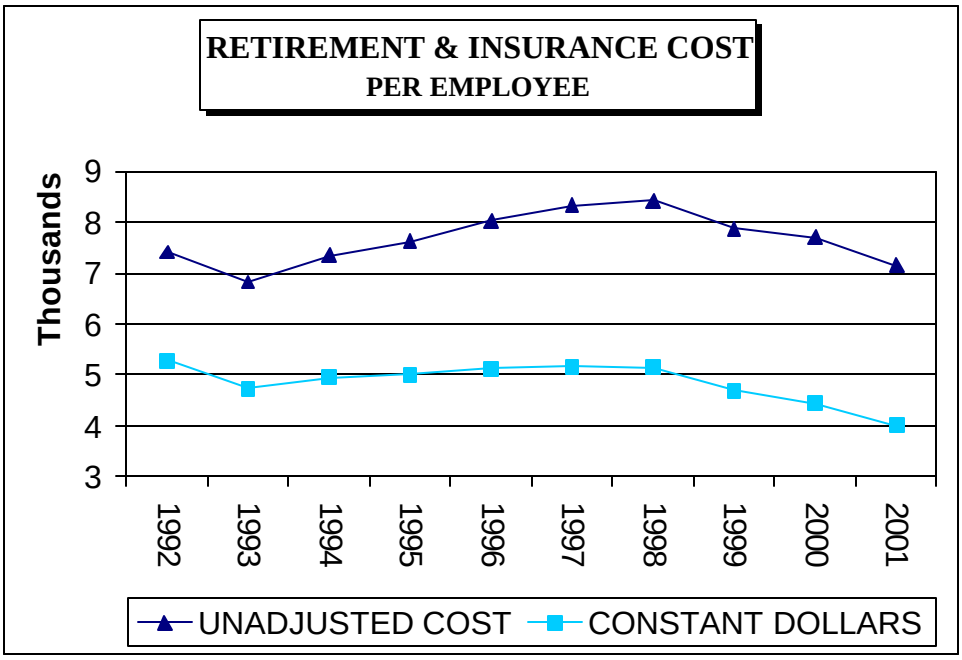


WARNING TREND

Significant increases in constant dollar, per capita employee costs.

EMPLOYEE COST - Analysis of Indicator #16

Figure 3



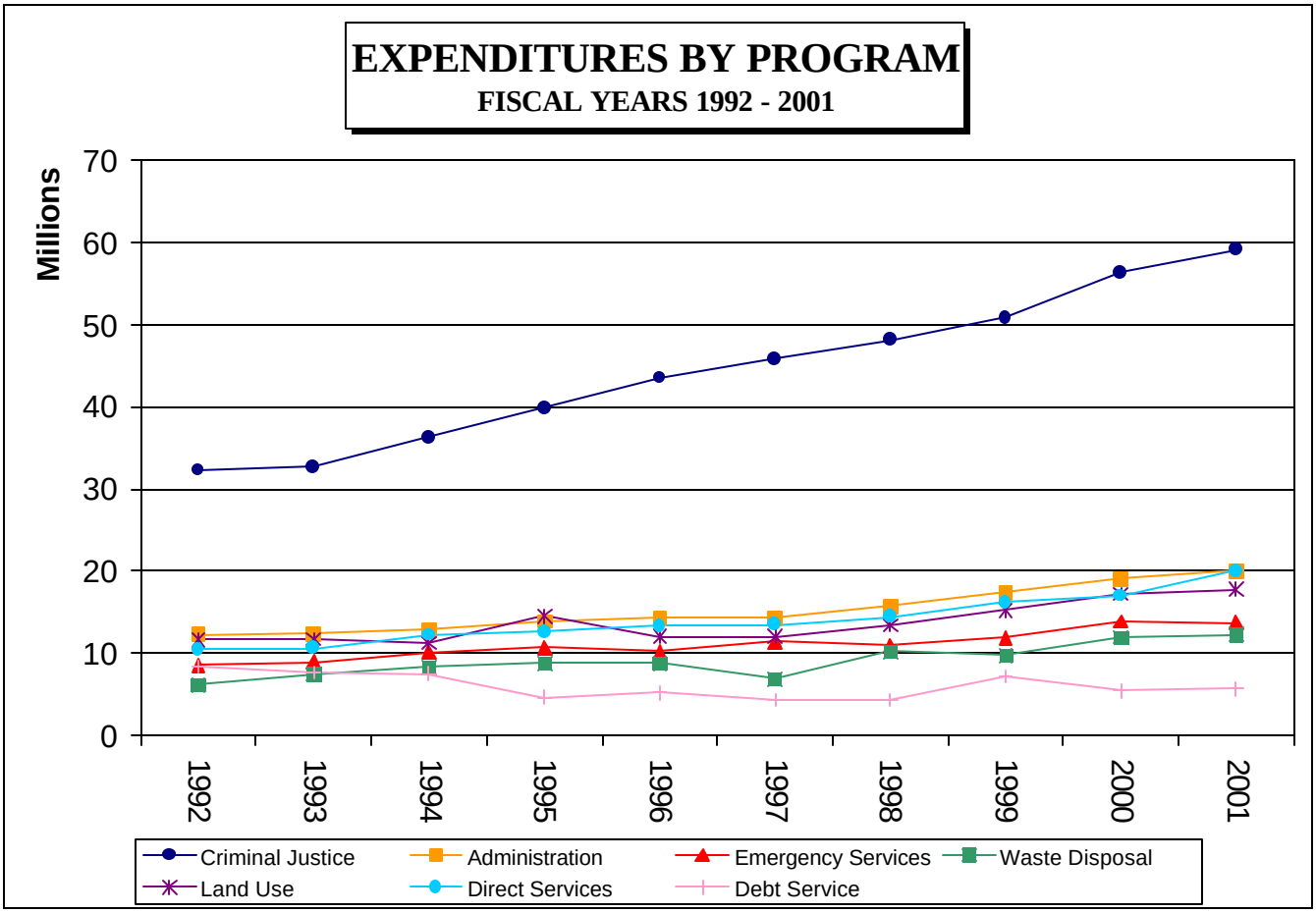
ANALYSIS

Since 1992, employee costs have risen $37.1 million (88%) in unadjusted dollars. In constant dollars the increase has been much smaller, $14.4 million (48%).

Unadjusted employee costs per capita have risen fairly dramatically by $129, but examining constant dollar per capita employee costs shows that by removing the effects of inflation and population increases, employee costs have only increased $38 which is 23% over the last ten years which averages a little over two percent increase per year.

Retirement and insurance costs per employee have risen in both unadjusted and constant dollars. Insurance cost has risen from $2.9 million in 1992 to $5.3 million (85%) in 2001, retirement cost has risen from $6.2 million in 1992 to $7.8 million (25%) in 2001. These increases are due to premium increases rather than an increase in benefits. The decreases in 1999 through 2001 were due to decreased retirement contribution requirements.

PER CAPITA EXPENDITURES
BY PROGRAM
INDICATOR #17



DEFINITION OR PURPOSE

Formula:

Expenditures in seven spending areas.

Increases or decreases in spending in these categories highlights government funding choices over time.

WARNING TREND

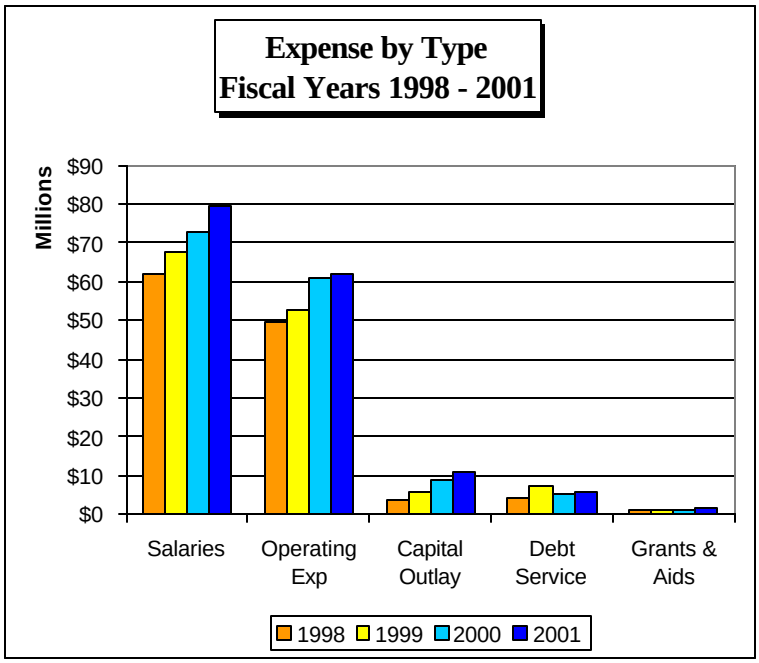
Significant increases or decreases in spending in any one area.

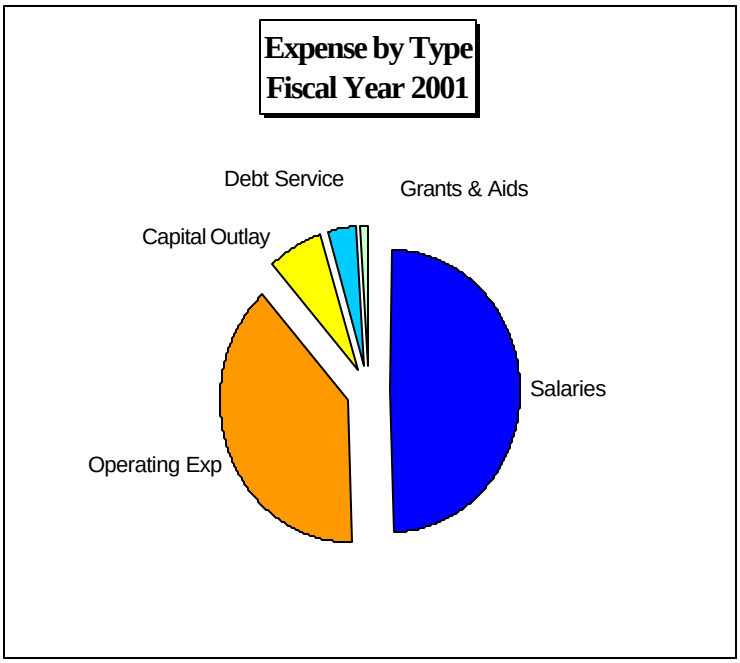
EXPENDITURES BY TYPE

On this page the expenditures are shown for the County Commission including the County Officers and broken down by salaries, operating expenditures, capital outlay, debt service, and grants and aids.

BOARD OF COUNTY COMMISSIONERS INCLUDING COUNTY OFFICERS

Expenditures	1998	1999	2000	2001	Percent Change 98 to 01
Salaries	$62,107,704	$67,410,793	$73,010,135	$79,530,676	28.05%
Operating Expense	49,450,465	52,720,139	60,989,610	61,706,469	24.78%
Capital Outlay	3,533,203	5,719,063	8,950,336	8,950,336	214.72%
Debt Service	4,374,300	7,205,274	5,404,010	5,404,010	29.73%
Grants and Aids	1,191,430	1,234,974	1,310,777	1,310,777	49.10%
Total	$120,657,102	$134,290,243	$149,664,868	$149,664,868	32.45%
Refunding	0	0	0	0	0.00%
Grand Total	$120,657,102	$134,290,243	$149,664,868	$149,664,868	32.45%

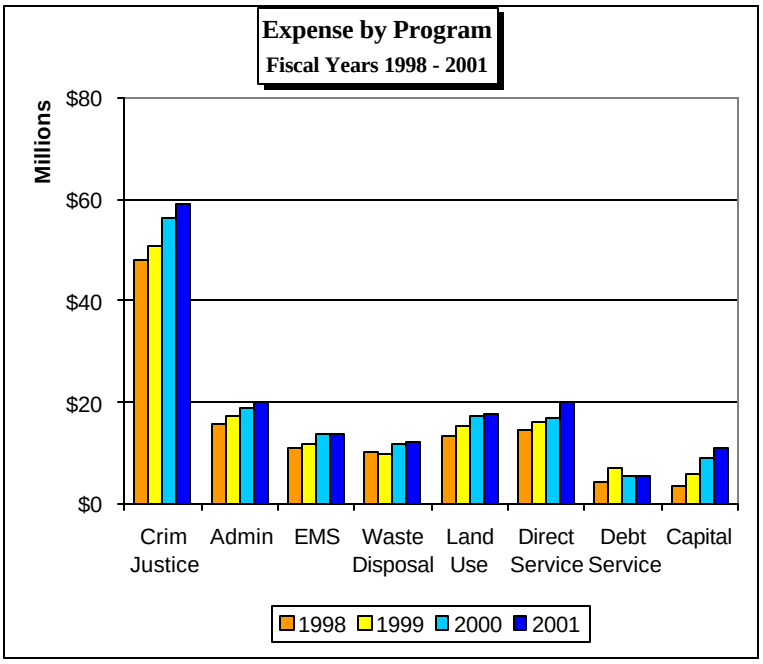


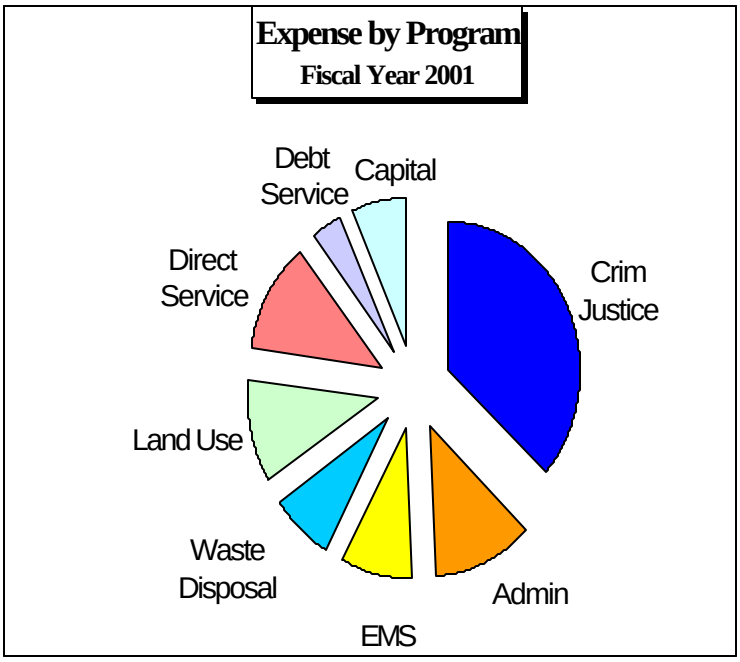


EXPENDITURES BY PROGRAM

BOARD OF COUNTY COMMISSIONERS INCLUDING COUNTY OFFICERS

Expenditures	1998	1999	2000	2001	Percent Change 98 to 01
Criminal Justice	$48,049,736	$50,869,193	$56,295,198	$59,152,002	23.11%
Administration	15,737,342	17,376,226	19,056,597	20,042,043	27.35%
Emergency Services	10,933,984	11,891,363	13,864,529	13,730,754	25.58%
Waste Disposal	10,172,296	9,770,538	11,952,110	12,248,427	20.41%
Land Use	13,403,194	15,235,809	17,213,391	17,802,095	32.82%
Direct Services	14,453,047	16,222,677	16,928,697	20,038,222	38.64%
Debt Service	4,374,300	7,205,274	5,404,010	5,674,645	29.73%
Capital Outlay	3,533,203	5,719,063	8,950,336	11,119,755	214.72%
Total	$120,657,102	$134,290,143	$149,664,868	$159,807,943	32.45%
Refunding	0	0	0	0	0.00%
Grand Total	$120,657,102	$134,290,143	$149,664,868	$159,807,943	32.45%





BY PROGRAM

CRIMINAL JUSTICE	1998	1999	2000	2001	% Change 98 to 01
Courts	$3,461,140	$3,419,402	$3,848,048	$4,097,548	18.39%
Sheriff	32,112,461	38,709,725	39,993,695	44,949,795	39.98%
Clerk of Court	5,082,139	5,537,490	6,120,434	6,469,239	27.29%
Corrections	7,393,996	3,202,576	6,333,021	3,635,420	-50.83%
TOTAL	$48,049,736	$50,869,193	$56,295,198	$59,152,002	23.11%
ADMINISTRATION					
County Commission	$373,371	$403,561	$412,168	$426,026	5.57%
County Attorney	642,265	652,212	724,465	710,538	8.94%
County Manager	430,542	535,021	1,050,896	1,405,258	162.65%
Administrative Services	6,025,068	6,565,048	6,814,238	7,493,303	14.14%
Information Services	2,252,643	2,336,701	2,488,545	3,055,466	30.76%
Finance & Accounting	1,293,687	1,360,400	1,438,890	1,447,127	6.38%
Non-Departmental	3,261,443	3,884,399	4,447,024	5,504,325	41.70%
TOTAL	$14,279,019	$15,737,342	$17,376,226	$20,042,043	27.35%
EMERGENCY					
Emergency Medical	$5,569,621	$4,875,568	$5,756,044	$5,979,973	22.65%
Fire Protection	5,693,510	5,911,937	5,980,306	7,212,491	22.00%
Civil Defense	140,496	146,479	155,013	538,290	267.49%
TOTAL	$11,403,627	$10,993,984	$11,891,363	$13,730,754	25.58%
WASTE DISPOSAL					
Waste Collection	$2,358,266	$5,029,362	$4,176,736	$6,015,561	19.61%
Landfill	4,510,015	5,142,934	5,593,802	6,232,866	21.19%
TOTAL	$6,868,281	$10,172,296	$9,770,538	$12,248,427	20.41%
LAND USE					
Public Works	$8,338,893	$8,799,702	$9,791,762	$10,378,050	17.94%
Planning & Development	1,342,079	1,591,567	2,205,125	2,691,594	69.12%
Codes Enforcement	891,389	1,071,600	1,148,725	1,506,578	40.59%
Environmental Protection	1,486,173	1,940,325	2,090,197	3,225,873	66.25%
TOTAL	$12,058,534	$13,403,194	$15,235,809	$17,802,095	32.82%
DIRECT SERVICES					
Human Services	$3,787,829	$3,919,577	$5,057,603	$5,814,927	48.36%
Recreation	857,611	993,150	1,186,185	1,252,341	26.10%
Animal Control	819,819	909,515	980,736	1,116,622	22.77%
Agricultural Extension	240,947	273,054	273,195	295,449	22.77%
Tourist Development	961,106	1,236,563	1,232,428	1,703,257	37.74%
Economic Development	136,787	193,213	165,000	478,346	147.57%
Outside Organizations	1,197,700	1,207,700	1,202,800	1,258,540	4.21%
Supervisor of Elections	663,231	671,960	965,062	1,062,587	58.13%
Property Appraiser	2,558,301	2,933,340	3,019,575	4,215,950	43.73%
Tax Collector	2,293,319	2,114,975	2,140,093	2,840,203	34.29%
TOTAL	$13,516,650	$14,453,047	$16,222,677	$20,038,222	38.64%

BOARD OF COUNTY COMMISSIONERS INCLUDING COUNTY OFFICERS

Expenditures	1998	1999	2000	2001	Percent Change 98 to 01
General Government	$28,038,068	$29,433,522	$32,636,164	$37,302,000	37.96%
Public Safety	47,576,831	50,739,746	55,898,724	55,476,484	16.60%
Physical Environment	12,385,672	12,103,926	16,166,673	17,372,169	40.26%
Transportation	8,799,702	10,664,633	11,215,659	10,976,835	24.74%
Economic Environment	1,429,775	1,297,428	1,295,026	2,081,603	45.59%
Human Services	4,573,440	5,321,959	6,053,162	6,458,950	41.23%
Culture and Recreation	1,017,026	1,286,183	1,128,930	1,352,341	32.97%
Court Cost	9,929,102	10,518,409	10,916,184	11,993,161	20.79%
Debt Service	4,374,300	7,205,274	5,404,010	5,674,645	29.73%
Capital Outlay	3,533,186	5,719,063	8,950,336	11,119,755	214.72%
Total	$120,657,102	$134,290,143	$149,664,868	$159,807,943	32.45%
Refunding	0	0	0	0	0.00%
Grand Total	$120,657,102	$134,290,143	$149,664,868	$159,807,973	32.45%