

Board of County Commissioners
Leon County, Florida



Workshop on Non-Ad Valorem Assessments and Transportation Taxes

November 8, 2011
1:30 – 3:00 P.M.

Leon County Board of County Commissioner Chambers
Leon County Courthouse, 5th Floor

This document distributed: October 31, 2011

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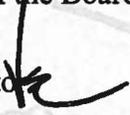


Leon County Board of County Commissioners

Workshop Cover Sheet

November 8, 2011

To: Honorable Chairman and Members of the Board

From: Vincent S. Long, County Administrator 

Title: Overview of Stormwater and Solid Waste Non Ad Valorem Assessments and Transportation Taxes

County Administrator Review and Approval:	Vincent S. Long, County Administrator
Department/ Division Review:	Alan Rosenzweig, Deputy County Administrator
Lead Staff/ Project Team:	Scott Ross, Director, Office of Financial Stewardship Felisa Barnes, Principal Management and Budget Analyst Timothy Carlson, Management and Budget Analyst

Fiscal Impact:

This item has a fiscal impact. In the FY 2012 budget, Leon County has allocated \$5,681,069 in general revenue to support the transportation, stormwater and solid waste programs. If the current fee and tax structure is left in place, current out year projections reflect an additional \$30.3 million in general revenue support for these programs from for the balance of the Board's adopted five-year County budget (FY 2013 – FY 2016).

Staff Recommendation:

1. Accept staff's overview of the stormwater, solid waste and transportation program funding.



Report and Discussion

Background:

Leon County has for many years provided significant general revenue subsidy to fund the stormwater, solid waste, and transportation programs. Currently, the stormwater and solid waste budgets are only partially funded by non ad valorem assessments levied on improved property in the amounts of \$20 and \$40, correspondingly. The stormwater and solid waste non ad valorem assessments were established in 1991 and 1994, respectively and have never been raised. The County currently collects \$1 million in stormwater fees and \$1.5 million in solid waste fees, while transferring \$2.7 million in general revenue support for stormwater, and \$1 million of general revenue support for solid waste.

The transportation trust fund is supported by four of five authorized state and local gas taxes or 10 of the allowable 15 cents. One of these gas taxes, the first local option fuel tax is shared with the City of Tallahassee at a 53.33% (City) and 46.7% (County) ratio. In FY 2012, Leon County has budgeted to collect \$8.4 million in gas taxes. For FY 2012, the general revenue support for the transportation fund is just under \$2 million.

Analysis:

In January 2008, the Board of County Commissioners adopted “Guiding Principles” which states in part that the Board will “Provide that fees charged in enterprise operations will be calculated at a level which will support all direct and indirect costs of the enterprise” (Attachment #1). Since the adoption of these “Principles,” the Board has been successful in reducing the general revenue support to these enterprise programs, but has not been able to eliminate the subsidies. This in part has been due to the country entering a recession, which caused a reduction in property tax and sales tax revenues. Due to the slow recovery from the recession economy, the Board has been deliberative in providing relief to citizens by not raising fees and passing on property tax savings to the community. During the development of the FY 2012, the Board again decided not to raise fees and/or taxes associated with stormwater, solid waste and transportation, but instructed staff to schedule a workshop in early FY 2012 to review these assessments. The Board did pass \$2.9 million in property tax savings to the citizens; for a cumulative savings of \$14 million over the past three years.

Table 1 reflects the general revenue support budgeted for the current year and what has been projected for the next four years.

**Table 1
 Programmed General Revenue Support for Stormwater, Solid Waste and Transportation Programs**

Program/Fiscal Year	FY 12	FY13	FY14	FY15	FY16	Total
Stormwater	\$2,694,662	\$3,042,578	\$3,087,970	\$3,137,502	\$3,197,541	\$15,160,253
Solid Waste	1,026,334	1,198,629	1,285,834	1,396,925	1,582,045	6,489,767
Transportation	1,960,073	2,901,452	2,915,865	3,223,627	3,309,710	14,310,727
Total	\$5,681,069	\$7,142,659	\$7,289,669	\$7,758,054	\$8,089,296	\$35,960,747

Including this fiscal year, if the current fee structure is left in place, an estimated \$36 million in general revenue will be transferred to these programs. The subsidy to these programs, in addition to the property tax savings passed on the community, are limiting the Board's ability to achieve the guiding principle that enterprise operations should pay for themselves. Specifically, it has been expressed by members of the Board that fees should be tied as much as possible to the service being provided in order to show citizens the nexus of the fee to the service.

In addition, if the Board continues to want to keep other general taxes low, such as property taxes, other revenue alternative are needed. If these program areas continue to compete with other general revenue funded programs, then the Board will be faced with either raising property taxes or further reducing services. In other words, where over the last four years it has been difficult to balance the budget, future budget balancing will become increasingly difficult.

The Board now has the opportunity to examine the current fees and taxes for stormwater, solid waste and transportation programs outside of the budget process to see if a shift can be made in how these necessary programs are funded. If the Board were to begin charging what is necessary to funds these programs, the reliance on general revenue would be lessened. This in turn will allow general revenue to be available to support increased costs associated with required services (e.g. inflationary costs and benefit increases) and new program expenditures (i.e. Public Safety Complex).

The remaining workshop has been divided into three discrete items related to each program: stormwater, solid waste, and transportation. The items are presented separately, to allow the Board to focus on each program and its unique funding structure and service each program provides. Each item cover the details of what it will take to modify the related fee structures for these programs over the next two to three years.

Options:

1. Accept staff's overview of the stormwater, solid waste and transportation program funding.
2. Do not accept staff's overview of the stormwater, solid waste and transportation program funding.
3. Board Direction.

Recommendation:

Option #1

Attachment:

1. Guiding Principles

RESOLUTION NO. R08-01

WHEREAS, it is the mission of the Leon County Board of County Commissioners to preserve and enhance the outstanding quality of life in our community, and;

WHEREAS, Leon County strives to set the standard and best practice for other local governments in Florida and in the United States through strong and consistent fiscal policies and practices, and;

WHEREAS, Leon County has a long history of providing cost effective, superior services to our citizenry, and;

WHEREAS, Leon County has reduced or held constant the general property tax rates over each of the past 16 years, and;

WHEREAS, over the last two years the County millage rate has decreased by 16%, and;

WHEREAS, Leon County has controlled expenditures, maintaining the lowest budget per capita of any comparable county and currently has the 6th lowest budget per capita of all 67 counties, and;

WHEREAS, Leon County has been responsible in the building of reserves to healthy levels and has invested recurring revenues in infrastructure improvements, and;

WHEREAS, the Board of County Commissioners has been proactive in establishing policies such as Policy No. 93-44 "Fiscal Planning" and Policy No. 07-2 "Reserves" to provide guidance related to fiscal responsibility, and;

WHEREAS, Leon County maintains an investment quality credit rating of AA-, and;

WHEREAS, Leon County was the first county in the state to institute a hiring, capital projects and travel freeze in preparation for 2007 legislative property tax reforms, and;

WHEREAS, as pursuant to the 2007 legislation, Leon County was one of only 4 "non-fiscally constrained" counties to be placed in the least punitive 3% roll-back category (as opposed to the 5%, 7% or 9% categories) based on the County's conservative annual increases in budget per capita, and;

WHEREAS, due to roll-backs and capped future growth in property taxes imposed by the Legislature, combined with significant current and future challenges facing local government including those related to an aging population, a struggling housing market, rising health care costs, aging infrastructure, and a continued resistance to tax increases, there is a need to assess the long view and prepare for a more austere course for county government, and;

WHEREAS, as the level of government closest to the people, Leon County must make strategic decisions in order to be prepared and continue to deliver high quality services in the areas most critical to our citizenry, and;

WHEREAS, this will require a re-examination of core services, levels of services and a commitment to priority setting as Leon County continues to take a gradual business-like approach to determining the size of government its citizens can afford and the priority of the services we deliver to our citizens.

NOW, THEREFORE, BE IT RESOLVED by the Leon County Board of County Commissioners, Florida that the following guiding principles are adopted:

1. The Board of County Commissioners upholds the importance of the Leon County Home Rule Charter allowing citizen involvement and flexibility in shaping government to best meet the County's unique and changing needs.
2. The County budget will always be balanced, with available revenues equal to appropriations.
3. The County will strive to maintain the lowest dollars spent per County resident, as compared to like-size counties, while retaining the maximum level of service possible.
4. Through citizen input and Commission deliberation, core functions for County government will be identified and the dollars will be allocated accordingly during the budget process.
5. The County will continue to explore opportunities with its governmental counterparts for functional consolidation and/or shared efficiencies.
6. The County will continue to enhance our cooperation and coordination with our Universities and Community College to promote, strengthen, and sustain our community's intellectual capital.
7. The County Administrator will require Program Managers to conduct an annual review and scrutiny of their base budgets when preparing budgets for future years.
8. Consistent with best practices and the Florida Statutes, Leon County will retain an emergency reserve fund of not less than 5%, but not more than 10% of the general operating budget (Policy No. 07-2).
9. Consistent with best practices and the Florida Statutes, Leon County will retain an operating cash reserve fund of not less than 10% but not more than 20% of the general operating budget (Policy No. 07-2)
10. Cash reserves in excess of reserve policies will be utilized to support one time capital projects and/or other one-time expenditures to address unforeseen revenue shortfalls (Policy No. 07-2).
11. Leon County will continue to ensure the useable and safe life of existing infrastructure by providing funding for proper maintenance (Policy No. 93-44).

12. Provide that fees charged in enterprise operations will be calculated at a level which will support all direct and indirect costs of the enterprise (Policy No. 92-5).
13. Ensure that capital projects financed through the issuance of bonds will not be financed for a period that exceeds the useful life of the project or the life of the supporting revenue source (Policy No. 93-47), and support conduit financing to promote the economic health of the community.
14. Maintain accounting and reporting practices in conformance with the Uniform Accounting System of the State of Florida and Generally Accepted Accounting Principles (GAAP) (Policy No. 92-4).
15. Ensure that annual financial and compliance audit of the County's financial records is conducted by an independent firm of certified public accountants whose findings and opinions are published and available for public review (Policy No. 92-4).
16. Will optimize return on investments within the constraints of safety and liquidity through an adopted Investment Policy.
17. Shall establish formal policies and procedures to address amending the budget while allowing the organization to function and react to changing conditions (Policy No. 97-11).
18. The County shall provide a meaningful public input process during the annual budget review which shall, at a minimum, include at least one Board Workshop and two Public Hearings.
19. The County will fully research and employ technology to improve the personal and collective efficiency of county employees.
20. The County will continue to enhance our culture of performance, as we maintain a very low employee per 1,000 population and a "flat" organizational structure, and hold individual employees to high expectations and performance standards. Employees are entrusted with broad authority in their functional areas, expected to respond quickly to requests for service, explore and pursue alternatives to assist the citizenry, attempt to deliver more than what is expected, and are empowered to use professional discretion on the spot to resolve issues and reduce "bureaucracy". These employees are valued and compensation and benefits are commensurate with their responsibilities and competitive in the industry.
21. The County will continue to improve our efforts to promote employee innovation, through incentives, recognition and rewards for identifying and implementing program and process improvements that add value to services while producing cost savings.

22. The County will continue to leverage Leon County tax payer dollars to attract federal and state appropriations, reimbursements, and matching grants to realize revenue maximization for the purpose of funding priority projects and programs.

PASSED, AND DULY ADOPTED BY THE LEON COUNTY BOARD OF COUNTY COMMISSIONERS, FLORIDA THIS 15th DAY OF JANUARY, 2008.

LEON COUNTY, FLORIDA

BY: Jane G. Sauls
Jane G. Sauls, Chairman
Board of County Commissioners

ATTEST:
Bob Inzer, Clerk of the Court

BY: [Signature]

Approved as to Form:
Leon County Attorney's Office

BY: [Signature]
Herbert W.A. Thiele, Esq.
County Attorney

Leon County Board of County Commissioners

Workshop Cover Sheet

November 8, 2011

To: Honorable Chairman and Members of the Board
From: Vincent S. Long, County Administrator 
Title: Status of Stormwater Non Ad Valorem Assessments

County Administrator Review and Approval:	Vincent S. Long, County Administrator
Department/ Division Review:	Alan Rosenzweig, Deputy County Administrator Tony Park, P.E., Director of Public Works and Community Development
Lead Staff/ Project Team:	Scott Ross, Director, Office of Financial Stewardship Felisa Barnes, Principal Management and Budget Analyst Timothy Carlson, Management and Budget Analyst Theresa Heiker, Stormwater Management Coordinator

Issue Briefing:

This item requests Board guidance regarding increasing the stormwater non ad valorem assessment.

Fiscal Impact:

This item has a fiscal impact. For fiscal year 2012, a general revenue subsidy of \$2.7 million is required to balance the stormwater utility fund at the current \$20 non ad-valorem stormwater assessment rate. The out year impact of the subsidy for the remaining five-year budget (FY2013-FY2016), without any fee increase, is projected to be \$12,465,591. This will cause the Board to have to consider this program's general fund needs along with other programs that rely on general revenue support.

In addition, it is estimated that a fee study establishing a new non ad valorem assessment would cost between \$75,000 and \$100,000. Funding for the study is available in the stormwater utility fund balance.

Staff Recommendation:

Board Direction



Report and Discussion

Background:

A non ad valorem assessment is levied on both residential and non-residential property to fund the County's stormwater program. The residential assessment is \$20 for each residential structure per parcel. The non-residential properties are assessed a multiplied rate, based on the impervious area on site including sidewalks and parking areas relative to the average 2,723 square feet per single family unit (sfu). In other words, each \$20 assessment per residential structure or single family unit equals a \$20 assessment for every 2,723 square feet of a non-residential parcels impervious area. Currently, the total residential and non-residential ad valorem assessment does not generate enough revenue to operate the program. To address this shortfall, the program is supported by general revenue.

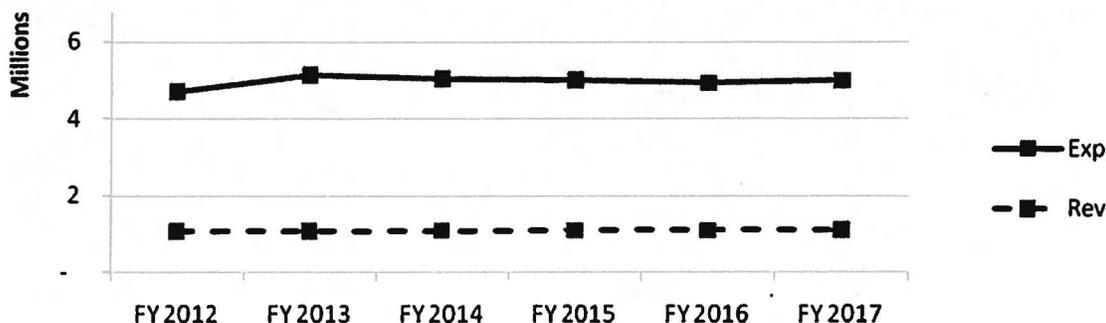
As mentioned in the overview, the Board's adopted guiding principles provides that fees charged in enterprise operations will be calculated at a level which will support all direct and indirect costs of the enterprise. If enterprise funds are not operated as such, then the enterprise programs directly compete with other programs funded by general revenue.

Analysis:

For several years, the Board has been evaluating the necessity to increase the stormwater non ad valorem assessment. The \$20 annual assessment for the service per year has remained the same since its inception in the early 1991. Due to the recession and slow recovery, the Board decided not to increase these fees during the FY 2011 and 2012 budget process. For FY12 approximately \$1 million if fees are estimated for collection.

Chart 1 reflects the current projected revenues and expenses for stormwater services from FY 2012 to FY 2017. Revenue projections estimate a 0.5% annual increase while expenditures indicate an estimated average of 1% increase per annum. The variance in expenditures is associated with the variable funding of the capital program over this period.

Chart 1
Stormwater Expenditures v. Revenues



Based on the current five-year plan, the Stormwater program will require an average general revenue subsidy of approximately \$3.1 million. The subsidy is the direct result of insufficient revenue being generated by the \$20 fee. Table 1 provides a summary of the current rate and the estimated rate required to make the stormwater operating and capital program fund self supporting. It should be noted the estimated rate required to completely fund the stormwater program of \$98 has decreased from previous analyses. This is primarily due to an increase in the number of single family unit equivalents (SFUs), updated by the Tallahassee - Leon County GIS, as well as a decrease in expenditures due to the elimination of stormwater crew as part of a restructuring and cost saving measure by the Public Works Department; however, if a higher level of service is warranted and an additional crew were added, fees would have to be established accordingly.

If fees were established at a rate that would allow the program to be self-supporting, then general revenue would be available to support other necessary County costs.

Stormwater	Fee	FY 2012 Revenue Comparison
Current	\$20	\$1,021,250
Estimated	\$98	\$5,187,655

There are a number of options to consider as part of future budget developments:

- Maintain the current level for the Stormwater assessments
- Authorize increasing the Stormwater assessments to the maximum rate over a number of years
- Authorize increasing the Stormwater assessments to the maximum rate at one time

Assessment Process

Should the Board decide to increase the Stormwater non ad valorem assessment, staff recommends engaging a consultant and developing an updated quantitative model analysis for fee assessment. Moreover, the utilization of a consultant will provide the County a defense should any portion of the fee be challenged. The original stormwater utility ordinance was adopted in 1991 and modified in 1995 to include using fee revenue for stormwater operation, maintenance, repair, and replacement purposes. The original \$20 residential fee and \$20 per 2,723 SFU equivalent for non-residential fee have remained the same since the inception.

The assessment and update to the Leon County Stormwater Utility Assessment could be done in two phases: feasibility and implementation.

Feasibility phase will include:

- Assessing and benchmarking, the current stormwater management program including defining current activities and estimated expenses. Also, future needs of the program will also be considered with estimated costs. Together, these analyses will define the current and future needs of the overall stormwater program.
- Reviewing various stormwater utility rate structure alternatives. Alternatives could include the utilization of stormwater credits for existing retention ponds and/or increasing the base charge of a single family unit.

Implementation Phase will involve:

- Modification of the rate structure through the required ordinance changes requirements as specified in state statute.

Both phases will also include a public awareness program, not only to confirm the level of service needs of the citizens, but also to educate citizens on stormwater management needs of the community.

Each of the Stormwater Utility Assessment Update phases will take about six months depending on the nature of the public involvement process.

An estimated timeline is provided below:

- November 8, 2011 Board Workshop – Authorization to issue a Request for Proposal (RFP) for consulting services.
- February/March 2012 – Agenda to Board for the selection of consultant services.
- September 2012 – Estimated completion of the consultant analysis of the assessment update.
- December 2012 – Resolution to use Non Ad Valorem Assessment roll process to collect stormwater assessment fee for the FY 2014 tax bill.
- Prior to September 15, 2013 - Adoption of the Non Ad Valorem Assessment Roll and delivery to the Tax Collector in accordance with Chapter 197.3632, Florida Statutes
- September 2013 – Estimated completion of the implementation phase of the assessment update, and updated tax roll sent the Tax Collector.

Staff's initial estimate for the cost of the assessment study is from \$75,000 to \$100,000. Funding for an updated assessment study is available in the stormwater utility fund balance.

When the study is brought back for Board consideration, it will have various options presented for increasing the fee as referenced earlier in the analysis, including the possible phasing in of the fee over a period of years. If the Board currently does not have any intention of increasing the fee at the conclusion of a study, staff would recommend not proceeding at this time, and not spending funds on a rate study.

Options:

1. Direct staff to proceed with the issuance of a Request for Proposal for a stormwater fee assessment study to update the Stormwater Utility Ordinance and consider raising the Stormwater Non Ad Valorem Assessment from \$20 to a maximum amount that will maintain the current level of service and eliminating the general revenue subsidy.
2. Do not contemplate raising the Stormwater Non Ad Valorem Assessment fee.
3. Board direction.

Recommendation:

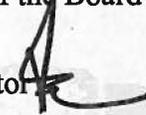
Board Direction



Leon County Board of County Commissioners

Workshop Cover Sheet

November 8, 2011

To: Honorable Chairman and Members of the Board
From: Vincent S. Long, County Administrator 
Title: Status of the Solid Waste Non Ad Valorem Assessment

County Administrator Review and Approval:	Vincent S. Long, County Administrator
Department/Division Review and Approval:	Alan Rosenzweig, Deputy County Administrator Maggie Theriot, Director, Office of Resource Stewardship
Lead Staff/ Project Team:	Scott Ross, Director, Office of Financial Stewardship Norm Thomas, Director, Solid Waste Management Felisa Barnes, Principal Management & Budget Analyst Timothy Carlson, Management & Budget Analyst

Fiscal Impact:

This item may have a fiscal impact. If the Board chooses to adopt the proposed solid waste non ad valorem assessment to make the solid waste operation self supporting, this would eliminate the need for a general fund subsidy estimated at \$1.2 million required to support the solid waste fund in FY 2013 and provide an estimated savings of \$6.5 million in general fund subsidies for out years FY 2013-FY 2016.

In addition, it is estimated that a fee study establishing a new non ad valorem assessment would cost between \$75,000 and \$100,000. Funding for the study is available in the Solid Waste fund balance.

Staff Recommendation:

Board Direction



Report and Discussion

Background:

The County's intention for solid waste services has always been to operate as an enterprise fund, essentially functioning as a business by collecting enough revenue from the service users to fund the entire operation. As a result of receiving a general revenue subsidy, the fund is currently not operating consistent with the County's adopted "Guiding Principles." If enterprise funds are not operated as such, then the enterprise programs directly compete with other programs funded by general revenue.

Analysis:

Single family residences in the unincorporated area currently have the option of subscribing for curbside waste collection services at a cost of \$210 per year, or they may use one of the Rural Waste Service Centers (RWSC) at no cost. Currently, both subscribers and non-subscribers pay the \$40 non-ad valorem assessment for waste disposal. The \$40 per year basically covers the cost of disposal, while the existing general revenue subsidy pays for the rural waste collection centers. However, with the general revenue subsidy, the residents are not paying the full direct cost for the service, thus the Solid Waste fund is not self-supporting.

There are five Rural Waste Service Centers: Woodville, Ft. Braden, Miccosukee, Blount and the fifth center located within the Apalachee Solid Waste Management Facility on Apalachee Parkway. Fiscal year 2012 operating costs for the rural waste service centers are estimated at \$1.03 million.

Given the current \$40 non-ad valorem assessment, the fund will continue to require a general revenue subsidy. If the Board wants to eliminate the subsidy, staff's analysis indicates that the non-ad valorem fee would need to be increased to an estimated \$72 per year. This would raise approximately \$1.2 million in additional revenue to fund this service. If fees were established at a rate that would allow the program to be self-supporting, then general revenue would be available to support other necessary County costs or programs.

Currently, there are a number of options to consider as part of future budget developments:

- Maintain the current level for the Solid Waste assessments
- Authorize increasing the Solid Waste assessments to the maximum rate over a number of years
- Authorize increasing the Stormwater assessments to the maximum rate at one time

Assessment Process

Similar to the stormwater utility, should the Board decide to increase the Solid Waste non ad valorem assessment; staff recommends engaging a consultant and developing a quantitative model analysis for the fee assessment. Moreover, utilizing a consultant will provide the County a defense if any portion of the fees is challenged. Such a study would need to conform to statutory requirements. Currently, staff develops a five-year pro forma statement annually which shows the projected revenue support using tonnage and costs from the Solid Waste Division.

The Leon County Solid Waste Utility Assessment could be accomplished in two phases: Feasibility and Implementation.

The feasibility phase will include:

- Assessing and benchmarking the current solid waste program to define current activities and estimated expenses. Also, future needs of the program will also be considered with estimated costs. Together, these analyses will define the current and future needs of the overall solid waste program.
- Reviewing available various solid waste utility rate structure alternatives.

The implementation phase will include:

- Modification of the rate structure through the required ordinance changes requirements as specified in state statute.

Both phases will also include a public awareness program, not only to confirm the level of service needs of the citizens, but also to educate citizens on solid waste management needs of the community.

An estimated timeline is provided below:

- November 8, 2011 Board Workshop – Authorization to issue a Request for Proposal (RFP) for consulting services.
- February/March 2012 – Agenda to Board for the selection of consultant services.
- September 2012 – Estimated completion of the consultant analysis of the assessment update.
- December 2012 – Resolution to use Non Ad Valorem Assessment roll process to collect stormwater assessment fee for the FY 2014 tax bill.
- Prior to September 15, 2013 - Adoption of the Non Ad Valorem Assessment Roll and delivery to the Tax Collector in accordance with Chapter 197.3632, Florida Statutes
- September 2013 – Estimated completion of the implementation phase of the assessment update, and updated tax roll sent the Tax Collector.

Staff's initial estimate for the cost of the assessment study is between \$75,000 and \$100,000. Funding is available in the Solid Waste fund balance.

When the study is brought back for Board consideration, it will have various options presented for increasing the fee, including the possible phasing in of the fee over a period of years. If the Board currently does not have any intention of increasing the fee at the conclusion of a study, staff would recommend not proceeding at this time, and not spending funds on a rate study.

Options:

1. Direct staff to proceed with the issuance of a Request for Proposal for a solid waste disposal fee assessment study to update the Solid Waste Ordinance and consider raising the Solid Waste Non Ad Valorem Assessment from \$20 to a maximum amount that will maintain the current level of service and eliminating the general revenue subsidy
2. Do not contemplate raising the solid waste non ad valorem assessment.
3. Board direction.

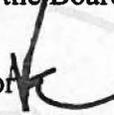
Recommendation:

Board Direction

Leon County Board of County Commissioners

Workshop Cover Sheet

November 8, 2011

To: Honorable Chairman and Members of the Board
From: Vincent S. Long, County Administrator 
Title: Status of the Transportation Trust Fund

County Administrator Review and Approval:	Vincent S. Long, County Administrator
Department/ Division Review:	Alan Rosenzweig, Deputy County Administrator Tony Park, P.E., Director of Public Works and Community Development
Lead Staff/ Project Team:	Scott Ross, Director, Office of Financial Stewardship Felisa Barnes, Principal Management and Budget Analyst Timothy Carlson, Management and Budget Analyst

Issue Briefing:

This item considers the status of the Transportation Trust Fund and the possibility of implementing an additional 1 to 5 cent fuel tax as authorized by Florida Statute.

Fiscal Impact:

This item has a fiscal impact. The general revenue subsidy for FY 2012 to the transportation trust fund is projected to be \$1,960,073. Implementation of an additional fuel tax would decrease the amount of general revenue subsidy required to balance the transportation trust fund in out years. The out year subsidy for the remainder of the Board's adopted five-year budget shows that without any additional fuel taxes, the subsidy is projected to be \$12,350,654.

Staff Recommendation:

Board Direction.



Report and Discussion

Background:

The Transportation Trust Fund is a special revenue fund established by Florida Statute 129.02. Major revenue sources for the Transportation Fund include proceeds from state and local gas taxes. The fund is used to account for revenues and expenditures restricted to the maintenance and construction of roads and bridges.

Analysis:

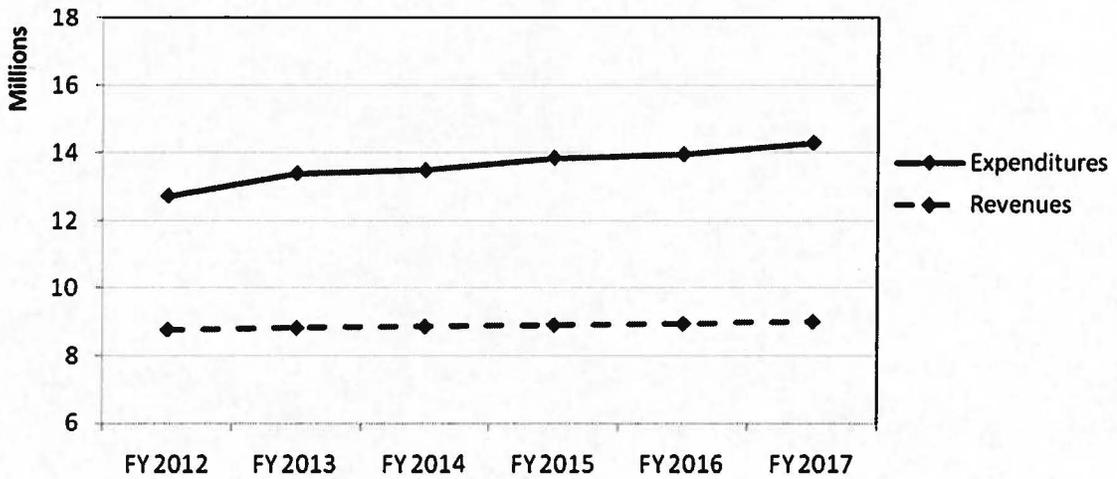
Without additional resources, the Transportation Trust Fund cannot sustain the current level of operating expenditures. Current revenue generated through state and local gas taxes does not cover the cost of the program without a general revenue subsidy.

Until FY 2004, the Transportation Trust Fund was self-supporting with the revenues generated from State and local gas taxes; however, beginning in FY 2005 the fund received \$154,000 in general revenue support, which increased to \$1.9 million in FY 2007. This increase was to directly fund road resurfacing and intersection and safety improvements. For FY 2008, the Board was able to reduce the subsidy to the fund by \$897,955 largely due to the elimination of the Tharpe Street capital project, which allowed for the transfer of resurfacing projects from the transportation trust fund to the local option infrastructure sales tax. Also, this project cancellation allowed transportation fund dollars, previously used for capital projects, to fund operating expenditures, and allow for a reduction in the general revenue subsidy.

Due to declining gas tax revenues associated with a recession economy, the subsidy was increased in FY 2009 to \$2.3 million, a level sustained in the FY 2010 budget. The FY 2011 general revenue subsidy decreased to \$1.9 million due to the Board approved mid-year one time realignment of stimulus matching funds and capital improvement funds towards transportation projects. Cost savings in FY 2012 from a department reorganization reducing personnel costs and the decrease in the County's portion of funding for the Florida Retirement System, as well as the use of fund balance, resulted in a minimal increase in the FY 2012 general revenue subsidy to \$2.0 million. If taxes were established at a rate that would allow the program to be self-supporting, then general revenue would be available to support other necessary County costs or programs.

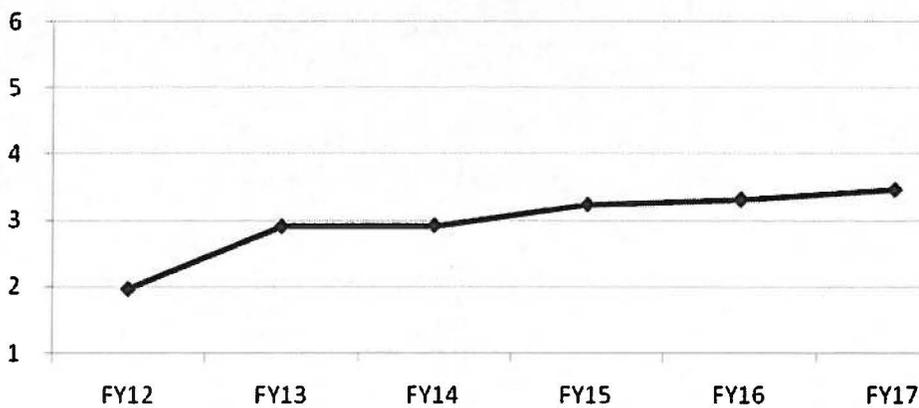
As reflected in Figure 1, revenues will not keep pace with expenditures projected from FY 2012 – FY 2017. The trend analysis shows gas tax revenues increasing on average 0.5% per year, and expenditures increasing on average by 2.4%. This disparity in growth rates is largely due to the gas taxes being based on consumption (volume) instead of cost; while, expenditure increases are directly associated with the increased funding to needed capital infrastructure projects and road maintenance material and supply costs.

Figure 1
Comparison of Transportation Revenues and Expenditures FY 2012 – FY 2017



Without program changes, as reflected in **Figure 2**, it is projected that over the next 5 years, the general revenue subsidy will increase from the current \$2.0 to \$3.5 million by FY 2017 for a combined \$15.8 million over the next five years.

Figures 2
Projected General Revenue Transfer FY 2012 - FY 2017
In Millions



Alternative to adding an additional gas tax or maintaining/increasing the general revenue subsidy, expenditure reductions could be considered. However, the Public Works department has already reorganized and eliminated staff as part of expenditure cuts over the past four years. In addition, the County is finding it difficult to maintain the current maintenance schedule of existing infrastructure. Further cuts will only increase the amount of time for planned maintenance as emergency work will continue to take precedence.

Transportation Trust Fund Authorized Gas Taxes

Currently, the fund is supported by four of the five authorized state and local gas taxes. Table 1 provides a summary of these taxes.

Table 1

Authorized Gas Taxes	Levy Rate	Authorization	FY12 Budget
Constitutional Fuel Tax	2 Cents	State Imposed	\$2.6 million
County Fuel Tax	1 Cents	State Imposed	\$1.1 million
1 st Local Option Fuel Tax	6 Cents	Locally imposed. Shared with the City through interlocal ending 8/31/2015.	\$3.4 million
Ninth Cent Fuel Tax	1 Cents	Locally imposed. 100% to the County.	\$1.3 million
2 nd Local Option Fuel Tax	Up to 5 Cents	Currently not imposed. Generates approximately \$1.1 million per penny. Shared with the City through interlocal agreement.	1 Cents: \$1.1 million 2 Cents: \$2.2 million 3 Cents: \$3.3 million 4 Cents: \$4.4 million 5 Cents: \$5.5 million

Florida Statute 336.025 allows county governments to impose up to 12 cents in local option fuel taxes, of which 7 cents are levied in Leon County through the 9th cent and the 1st local option fuel tax (1-6 cent). Leon County keeps 100 percent of the 9th cent, but shares the 6 cents with the City of Tallahassee at a 53.33% (City): 46.67% (County) ratio.

1 to 5 Cent Local Option Fuel Tax

One prospective means of strengthening the revenue stream for the fund would be to implement the 2nd local option tax, commonly referred to as the 1 to 5 cent fuel tax. All county governments are authorized to levy this tax. It must be levied by an ordinance adopted by a majority plus one vote of the BCC, or voter approval in a county-wide referendum. Like the 1 to 6 cent tax, the 1-5 cent tax also must be shared with the City of Tallahassee through an interlocal agreement. If an agreement cannot be reached, the state divides the tax through a statutory distribution formula. All tax impositions or tax rate changes must be levied before July 1st to be effective January 1st of the following year.

Projections indicate that the 1 to 5 cent local option fuel tax would generate approximately \$1.1 per levied cent. An interlocal agreement is required to be negotiated with the City of Tallahassee regarding the distribution of the additional revenue for transportation programs. Any additional revenue would allow for a substantial decrease in the current general revenue subsidy in future years. If enacted for FY2013, the tax would be in-place for 9 months (January 1, 2013 to September 30, 2013) resulting in the collection of \$4.12 million in additional revenue. The implementation of this unutilized tax, would allow general revenue to be allocated elsewhere in the budget.

For the Board to implement the tax effective for the FY 2013 budget, the County would need to enter an inter-local agreement with the city, and adopt an ordinance by July 1, 2012. This would require holding a public hearing by June 14, 2012.

Options:

1. Accept staff's report and direct the County Administrator to negotiate with the City of Tallahassee the distribution formula for the additional transportation tax, with the intent that subsequent to negotiations, the Board will proceed with implementing the five-cent gas tax by January 1, 2013
2. Do not direct the County Administrator to negotiate with the City of Tallahassee the distribution formula for the additional transportation tax.
3. Board Direction.

Recommendation:
Board Direction