

Board of County Commissioners Workshop Item

Date of Meeting: March 19, 2009
Date Submitted: March 12, 2009
To: Honorable Chairman and Members of the Board
From: Parwez Alam, County Administrator *PA*
Alan Rosenzweig, Assistant County Administrator *GR*
Scott Ross, Budget Manager *SR*
Subject: Transportation Trust Fund Subsidy and Gas Taxes

Statement of Issue:

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.

Background:

At the December 8, 2008 Retreat, the Board established revenue diversification as one of its priorities, including the consideration of levying the additional 1 to 5 cent fuel tax. 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 subsidy from general revenue.

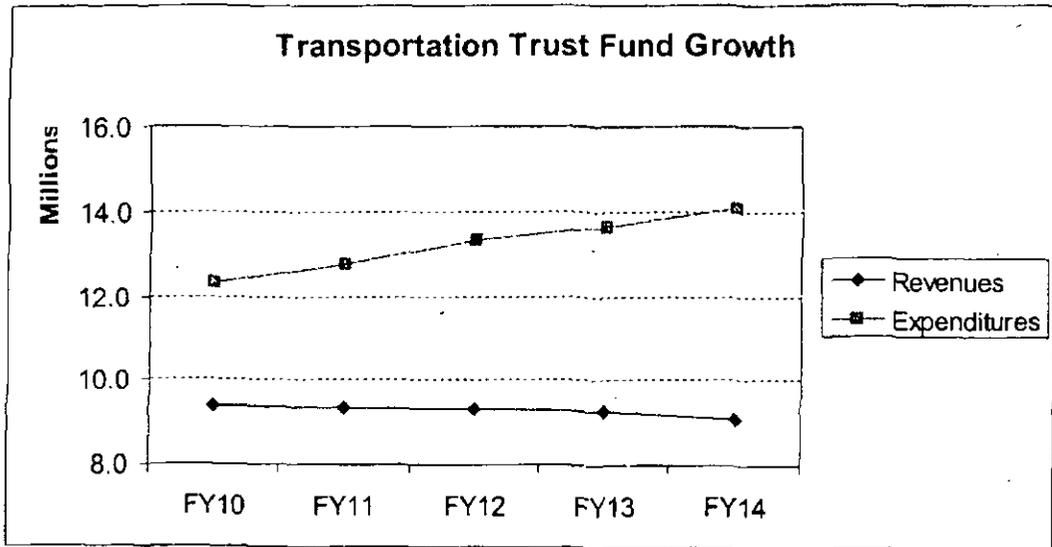
Until FY 2004, the Transportation Trust Fund was self-supporting with the revenues generated from State and local gas taxes; however, beginning in FY2005 the fund received \$154,000 in general revenue support, which increased to \$1.9 million in FY2007. For FY2008, the Board was able to reduce the subsidy to the fund by \$897,955 largely due to the elimination of the Tharpe Street capital project. This project cancellation allowed transportation fund dollars, previously used to support the arterial road and intersection improvement capital projects, to fund operating expenditures, thereby reducing 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.

Even with the realignment of capital expenses in FY 2008, as reflected in Figure 1, revenues will not keep pace with expenditures projected from FY 2010 – FY 2014. The trend analysis shows gas tax revenues decreasing on average 1.5% per year, and expenditures increasing on average by 3.9%.

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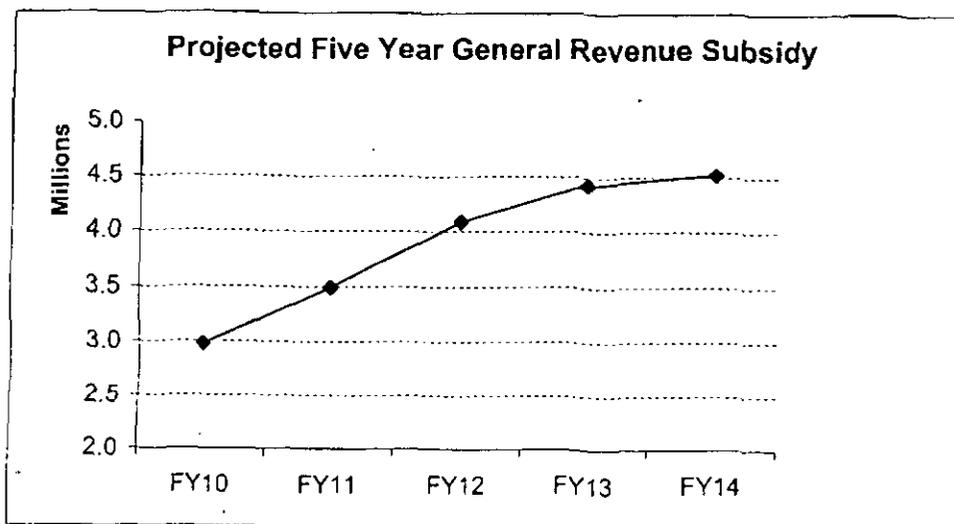
This disparity in growth rates is largely due to the gas taxes being based on consumption (volume) instead of cost; while, expenditure increases are directly associated with the increased costs of personnel and road maintenance supplies.

Figure 1



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 \$2.3 to \$4.52 million by 2014 for a combined \$21.78 million over the next five years.

Figure 2



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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 and Attachment #1 presents additional detail regarding the statutory authority for each tax.

Table 1

Authorized Gas Taxes	Levy Rate	Authorization	FY09 Budget *
Constitutional Fuel Tax	2 Cents	State Imposed	\$2.7 million
County Fuel Tax	1 Cents	State Imposed	\$1.2 million
1 st Local Option Fuel Tax	6 Cents	Locally imposed. Shared with the City through interlocal ending 8/31/2015.	\$3.2 million
Ninth Cent Fuel Tax	1 Cents	Locally imposed. 100% to the County.	\$1.2 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 Cent: \$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 inter-local 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. If an interlocal agreement was made between the City and County, with an equal distribution on the maximum levy, the estimated net revenue for both entities would be approximately \$2.75 million per year. The additional revenue would offset the \$2.4 million deficit projected by FY2014 and eliminate the general revenue subsidy. For FY2010, the tax would be in-place for 9 months resulting in \$2.06 million per government

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For the Board to implement the tax effective for the FY 2010 budget, the County would need to enter an inter-local agreement with the city, and adopt an ordinance by July 1, 2009. This would require holding a public hearing by June 10, 2008.

Expansion of bus service to the Unincorporated Area

The imposition of the additional five cents of gas tax can also be utilized to support mass transit. The Florida Department of Transportation (FDOT) has awarded StarMetro grant funds (\$240,000 annually) for three years to support additional bus service on Mahan Drive. This level of funding could provide service to Pedrick Road with a return on Buck Lake. The grant can only be used for *additional routes on the Mahan corridor. The grant requires an annual match of 50%. Based on preliminary discussions with StarMetro it appears the matching funds may be available through existing resources supporting StarMetro. However, the increased service would require an additional three buses (\$430,000 per bus). The buses have an estimated life cycle of 12 years and could possibly be funded over this time period; approximately \$100,000 per year plus interest. StarMetro would be seeking a commitment from the County to 1) support the funding of the three additional buses and 2) at the conclusion of the grant (3 years) provide the on-going support necessary to maintain the additional routes.*

In addition to Mahan Drive, StarMetro has also identified additional routes for North Monroe (Attachment 2). The additional operating costs range from \$89,000 to \$669,000; factors include wait time and length of route. As with the additional Mahan Drive route, an additional 3 buses would also be required for the North Monroe routes.

If the County proceeds with the imposition of the additional gas tax, the County would need to enter into an interlocal agreement with the City for the allocation of the revenue. The commitment related to the support of mass transit could be included as part of this interlocal agreement.

Fund Balance

The projected year ending FY 2009 uncommitted fund balance for the Transportation Trust Fund is \$7.2 million. The parameters of the County's reserve policy require that a minimum of 15% to a maximum of 30% remain available in the fund balance for cash flow and emergency purposes. This translates to maintaining a range of \$1.8 to \$3.5 million in fund balance, leaving \$5.4 million above the policy minimum and \$3.7 million above the policy maximum. The County reserve policy does not generally allow the utilization of fund balance for recurring expenditures; however, if the gas tax were phased over a period of years, these funds could be utilized to equalize the fund as revenues increased and thereby negate the need for any general revenue subsidy over this time.

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Options:

1. Direct staff to notify the City of Tallahassee of the County's intent to impose the 5th cent gas tax using the following distribution formula as the basis of an interlocal agreement: 0.5 cents to Star Metro to provide bus routes in the unincorporated area of Leon County, 2 cents to the City of Tallahassee and 2.5 cents to Leon County.
2. Based on the negotiations with the city, authorize staff to schedule the required public hearing to consider an ordinance to implement the 1 to 5 Cent Local Option Fuel Tax.
3. Do not authorize staff to negotiate an interlocal agreement with the City of Tallahassee for the implementation of the 1 to 5 Cent Local Option Fuel Tax.
4. Board Direction.

Recommendation:

Board Direction

Attachment:

#1 Transportation Fund Fuel Taxes

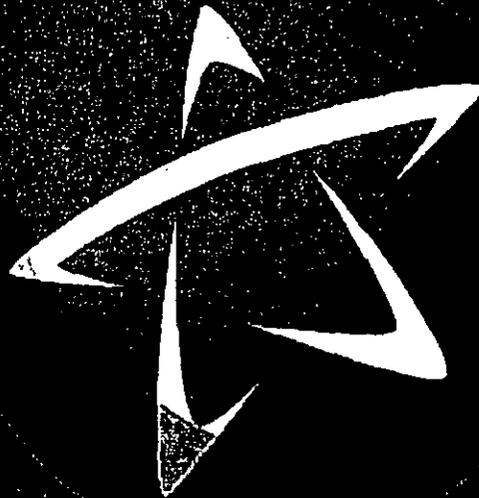
#2 StarMetro Bus Route Information

Transportation Trust Fund Fuel Taxes	Interlocal Agreement Effective Date	Agreement Sunset Date
<p>*Ninth Cent Fuel Tax - A tax of 1 cent on every net gallon of motor and diesel fuel sold within a county. It is automatically imposed upon diesel fuel in every county due to a State policy of statewide equalization of diesel fuel tax rates. The tax on motor fuel may be authorized by an ordinance adopted by an extraordinary vote of the governing body or voter approval in a countywide referendum. Generally, the proceeds may be used to fund transportation expenditures.</p>	<p>N/A - County implemented and does not require an interlocal agreement. Imposed based upon F.S. 336.021</p>	<p>N/A</p>
<p>*Local Option Fuel Taxes - First Option: Tax of 1 to 6 cents on every net gallon of motor and diesel fuel sold within a county. This tax is imposed on diesel fuel in each county at the maximum rate of 6 cents per gallon due to a State policy of statewide equalization of diesel fuel tax rates. The tax may be authorized by ordinance adopted by a majority vote of the governing body or voter approval in a countywide referendum. Tax is distributed by local agreement between a county and local municipalities. Generally, the proceeds may be used to fund transportation expenditures.</p> <p>Second Option: An additional tax of 1 to 5 cents on every net gallon of motor fuel sold within a county. Diesel fuel is not subject to this tax. The tax may be authorized by ordinance adopted by a majority vote of the governing body or voter approval in a countywide referendum. Generally, the proceeds may be used to fund transportation expenditures.</p>	<p>Option 1: Effective 9/1/1987</p> <p>Option 2: N/A - This option has not been levied.</p> <p>F.S. 336.025 allows for the imposition of the First and Section options.</p>	<p>Option 1: Expires 8/31/2015</p> <p>Option 2: N/A - This option has not been levied</p>
<p>Constitutional Fuel Tax - (80%20% Surplus Fuel Tax) - Pursuant to the State Constitution, an excise or license tax of 2 cents per gallon on motor fuel. Any remaining surplus that is not used toward debt service is to be utilized for acquiring, constructing, and maintaining roads.</p>	<p>N/A - Imposed by F.S. 206.41(1)(a), based upon the State Constitution Art. XII, section 9(c). It is administered by the State Board of Admin.</p>	<p>N/A</p>
<p>County Fuel Tax (Gas Pour Over Trust) - An additional tax of 1 cents per net gallon of motor fuel. Proceeds to be utilized for the acquisition of rights-of-way; the construction, reconstruction, operation, maintenance, and repair of transportation facilities, roads, bridges, bicycle paths, and pedestrian pathways.</p>	<p>N/A - Imposed by F.S. 206.41(1)(b) and administered by the Department of Revenue</p>	<p>N/A</p>

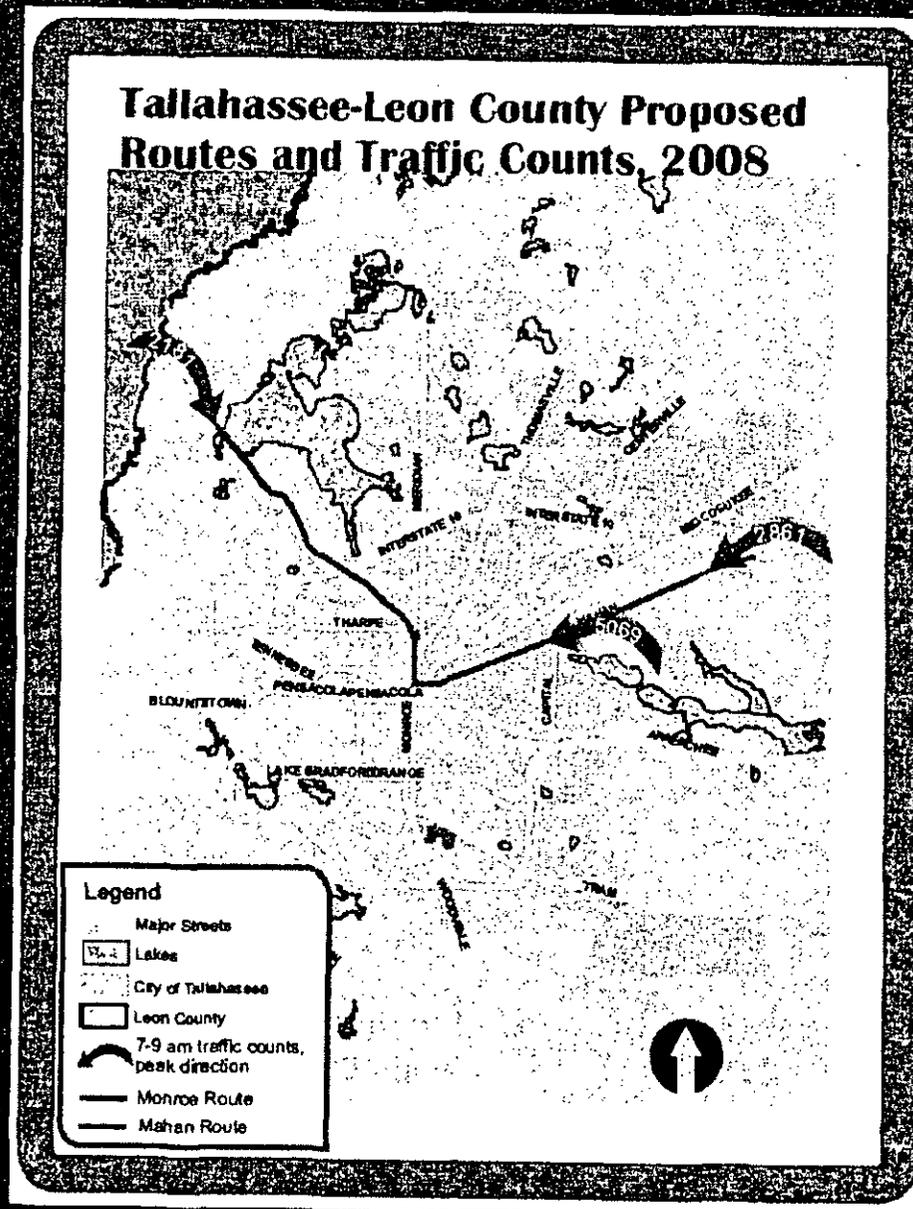
*The Legislature has authorized the statewide equalization of local option tax rates on diesel fuel by requiring that the full 6 cents of the full 6 cents of the 1 to 6 cents fuel tax as well as the 1 cent Ninth-Cent Fuel Tax be levied on diesel fuel in every county even though the county government may not have imposed either tax on motor fuel or may not be levying the tax on motor fuel at the maximum rate. Source: 2008 Local Government Financial Information Handbook, page 199.

Two Route Options

North Monroe (US 27)
Mahan Drive (US 90)



Trip Counts/Affected Corridors

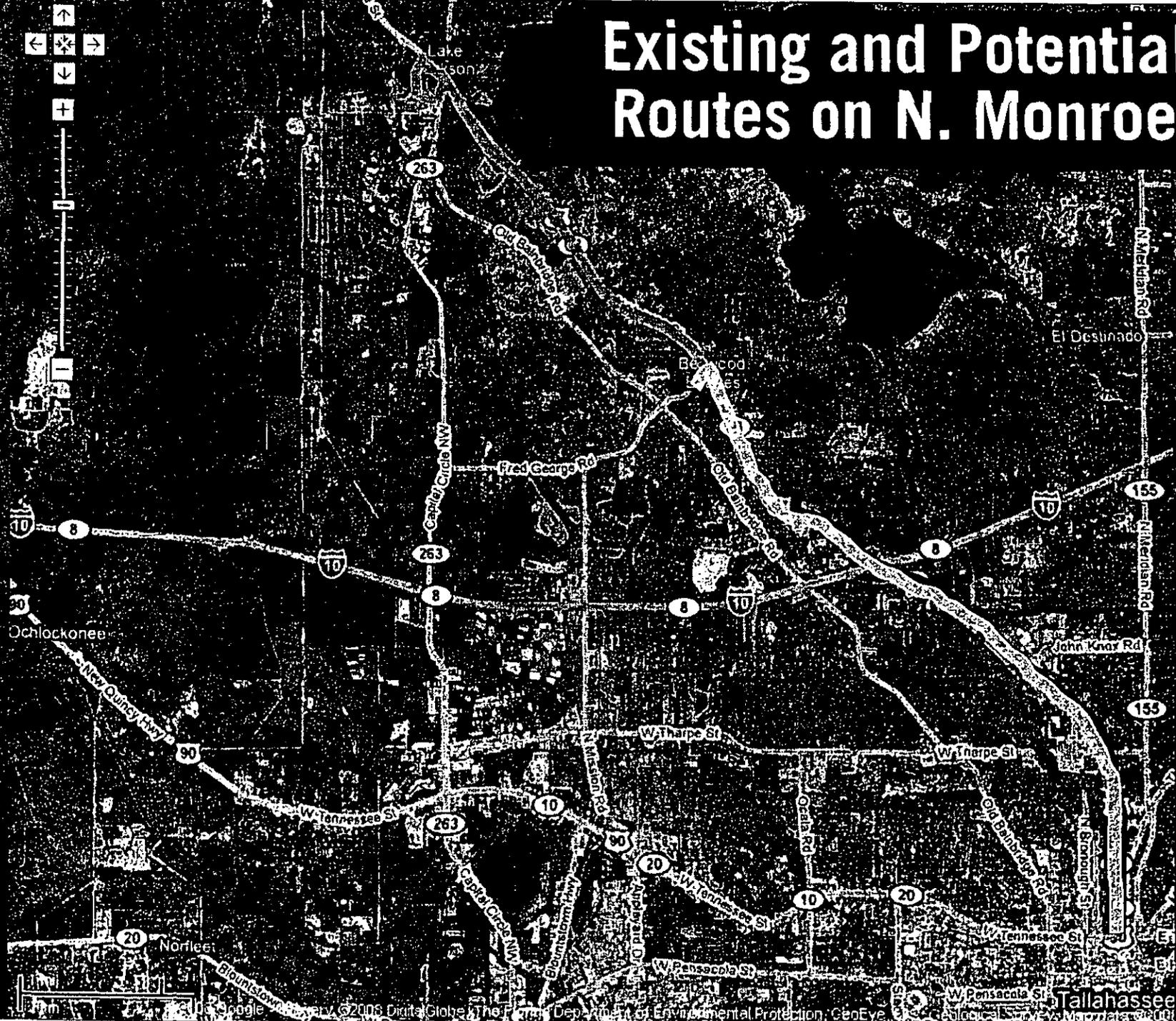


Route Description – North Monroe

☆ Five Possible Options

1. Extend Existing Route 8 to N. Monroe Wal-Mart
2. Extend Existing Route 8 to Fred George/Huntington Oaks Plaza
3. Extend Existing Route 8 to Oak Valley Shopping Center
4. New Express Route to Fred George/Huntington Oaks Plaza
5. New Express Route to Oak Valley Shopping Center

Existing and Potential Routes on N. Monroe



N. Monroe Routes – Operating Costs

☆ Option 1 – Extend Route 8 to WalMart

- ☆ 30 minute headway during peak hours; 60 minutes midday and Saturdays
- ☆ Adds an additional 2.7 route mile
- ☆ \$89,000 in additional operating costs

☆ Option 2 – Extend Route 8 to Fred George

- ☆ 30 minute headway during peak hours; 60 minutes midday and Saturdays
- ☆ Adds an additional 5.1 route miles
- ☆ \$178,000 in additional operating expenses

N. Monroe Routes – Operating Costs

☆ Option 3 – Extend Route 8 to Oak Valley

- ☆ 30 minute headway during peak hours; 60 minutes midday and Saturdays
- ☆ Adds an additional 11.1 route miles
- ☆ \$410,000 in additional operating expenses

☆ Option 4 – New Route to Fred George

- ☆ 30 minute headway during peak hours; 60 minutes midday and Saturdays
- ☆ 11.3 Route Miles
- ☆ \$437,000 in additional operating expenses

N. Monroe Routes – Operating Costs

☆ Option 5 – New Route to Oak Valley

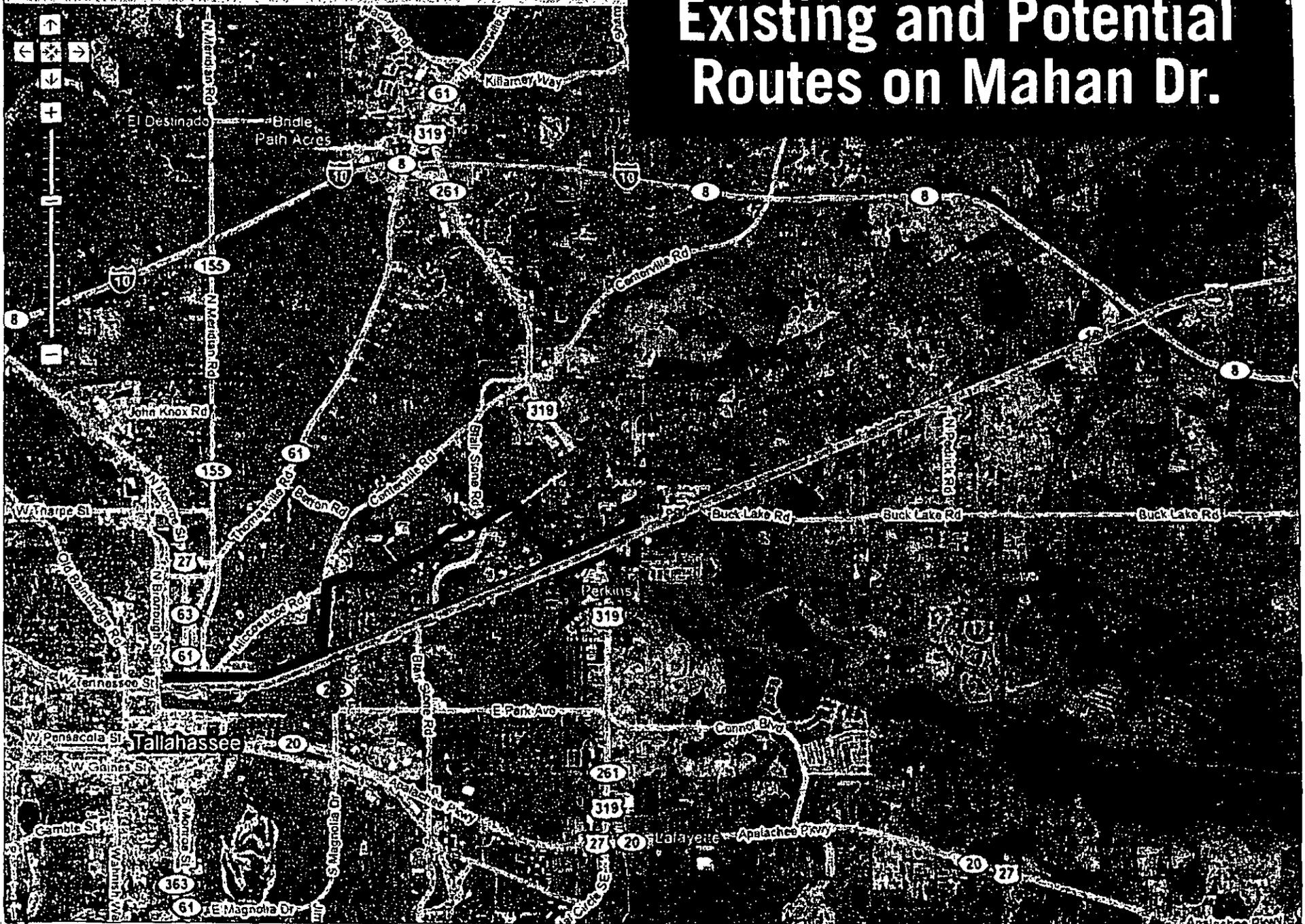
- ☆ 30 minute headway during peak hours; 60 minutes midday and Saturdays
- ☆ 17.3 Route Miles
- ☆ \$669,000 in additional operating expenses

Route Description – Mahan Drive

↖ Three Possible Options

1. Extend Existing Route 12 to Weems Road
2. Extend Existing Route 12 to Summit East
3. New Express Route to Summit East

Existing and Potential Routes on Mahan Dr.



Mahan Drive Routes – Operating Costs

☆ Option 1 – Extend Route 12

- ☆ 30 minute headway during peak hours; 60 minutes midday and Saturdays
- ☆ Adds an additional 2.5 route miles
- ☆ \$89,000 in additional operating expenses

☆ Option 2 – Extend Route 12 to Summit East

- ☆ 30 minute headway during peak hours; 60 minutes midday and Saturdays
- ☆ Adds an additional 10.5 route miles
- ☆ \$395,000 in additional operating expenses

Mahan Drive Routes – Operating Costs

Option 3 – New Route to Summit East

- 30 minute headway during peak hours; 60 minutes midday and Saturdays
- 18.7 Route Miles
- \$723,000 in additional operating expenses

★ Estimated Capital Costs

- ★ Three Buses for each option @ \$430,000 each
- ★ \$100,000 for additional infrastructure (shelters, benches, signs, etc.)
- ★ Any expansion of service will require an analysis of existing maintenance capacity, which will more than likely increase the number of mechanics and bays



Funding Options



starmetro

Possible Funding Options

★ FY2010 Service Development Grant

- ★ \$240,000 available on July 1 only applicable to Mahan Drive route
- ★ Recurring for three years
- ★ 50% Match Required

★ JARC/New Freedom

- ★ FY07, FY08, & FY09 (possible) allocations available
- ★ Federal money with cumbersome regulations
- ★ 50% Match Required