Review of Last Workshop

- Revenues are growing at a rate below that of expenditures
  - Property tax – Exemptions, Growth Caps, and Values
  - OUC Dividend – Essentially Flat since 2006; $8 million behind CPI

- Prior Year Unspent Revenues
  - Past years’ budget gaps have been filled with left over revenues not needed for filling Reserves, but warned in 2013-2014 budget that this was ending
  - Left over revenues after adjusting General Fund Reserves to the policy maximum are zero going into the 2014-2015 Budget Preparation season

- Total Budget expenditure reductions for General Fund since 2009:
  - In the aggregate, $123 million, and annual recurring of $41 million
  - Additional potential non-public safety expenditure reductions insufficient to address the problem
Agenda

- Revenue Options

- Cost Recovery Opportunities

- Budget Development Calendar
City Council Workshop / Fiscal Year 2015 Budget

Revenue Options

April 28, 2014
Revenue Options

Background

- Three sources of authorization

  - State Constitution
    - Ad Valorem Revenue

  - Home Rule Authority
    - Proprietary Fees
    - Regulatory Fees
    - Special Assessments

  - Authorized by the State Legislature
    - State-imposed fees and taxes shared with local governments
    - Local revenue sources
City Council Workshop / Fiscal Year 2015 Budget

Revenue Options / State Constitution

April 28, 2014
Ad Valorem Revenue

- Ad valorem taxes are subject to the following limitations:
  - 10 mills for county purposes
  - 10 mills for municipal purposes
  - 10 mills for school purposes
  - Millage fixed by law for a county providing municipal services
  - Millage fixed by law and approved by voters for special districts

- Components of municipal millage rates
  - Rate set by the municipality’s governing body
  - Dedicated debt service millage
  - Municipal special district millage rate that is subject to the 10 mill cap
## City of Orlando Millage Rate History

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Operations</th>
<th>Debt*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>4.9307</td>
<td>-</td>
<td>4.9307</td>
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<tr>
<td>2009</td>
<td>5.6500</td>
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<tr>
<td>2010</td>
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<td>5.6500</td>
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<td>2011</td>
<td>5.6500</td>
<td>-</td>
<td>5.6500</td>
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<tr>
<td>2012</td>
<td>5.6500</td>
<td>-</td>
<td>5.6500</td>
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<tr>
<td>2013</td>
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<td>5.6500</td>
</tr>
<tr>
<td>2014</td>
<td>5.6500</td>
<td>-</td>
<td>5.6500</td>
</tr>
</tbody>
</table>

* Last used in 1980
Revenue Options

Property Taxes

Property tax revenue has not kept pace with inflation

![Graph showing the growth in property tax revenue from 2002 to 2013, with a budget of $28M for 2014. The graph includes columns for 2002 Tax Base, Cumulative New Construction Value, 2002 Base Adj By CPI, and 2002 Base Adj By CPI + New Construct. The growth is depicted with increasing bars each year, indicating the cumulative effect of new construction value adjusted by CPI. The graph ends with a total of $28M for the 2014 budget.]
Revenue Options

Value of 1 Mill

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$12.2</td>
</tr>
<tr>
<td>2003</td>
<td>$12.6</td>
</tr>
<tr>
<td>2004</td>
<td>$13.5</td>
</tr>
<tr>
<td>2005</td>
<td>$14.6</td>
</tr>
<tr>
<td>2006</td>
<td>$16.3</td>
</tr>
<tr>
<td>2007</td>
<td>$20.4</td>
</tr>
<tr>
<td>2008</td>
<td>$24.2</td>
</tr>
<tr>
<td>2009</td>
<td>$24.3</td>
</tr>
<tr>
<td>2010</td>
<td>$21.6</td>
</tr>
<tr>
<td>2011</td>
<td>$18.1</td>
</tr>
<tr>
<td>2012</td>
<td>$17.5</td>
</tr>
<tr>
<td>2013</td>
<td>$17.5</td>
</tr>
<tr>
<td>2014</td>
<td>$18.1</td>
</tr>
</tbody>
</table>
Example of a $200k Homestead Property

Revenue Options

Taxable Value
Homestead Exemption
Save Our Homes
Example of a $200k Homestead Property

Revenue Options
Example of a High Value Commercial Property

Revenue Options

Taxable Value

Non-Homestead Cap

$0

$5,000,000

$10,000,000

$15,000,000

$20,000,000

$25,000,000

$30,000,000

$35,000,000

2007  2008  2009  2010  2011  2012  2013  2014
Example of a High Value Commercial Property

Revenue Options
Revenue Options

Millage Rate Changes

• Calendar

  – July 28th  City Council Adopts Preliminary Millage Rate

  – August  TRIM Notices Sent to Property Owners

  – September  City Council Public Hearing / Adopt Final Millage
    • Millage rate can be reduced from preliminary, but cannot be increased without notification to all property owners
Revenue Options

Millage Rate Changes

- **Voting Requirements**

  - **Simple Majority**
    Adjusted rolled back rate with growth for change in per capita income

  - **2/3 Majority**
    10% above the adjusted rolled back rate with growth for change in per capita income

  - **Unanimous**
    Up to the Constitutional maximum (10 mill)
City Council Workshop / Fiscal Year 2015 Budget

Revenue Options / Home Rule Authority

April 28, 2014
Proprietary Fees

- Home rule revenue sources that are based on the assertion that local governments have the exclusive right to impose such fees
  - Imposed fee is reasonable in relation to the government-provided privilege or service

- Examples
  - Admission fees
  - User fees
  - Utility fees
  - Franchise fee for the use of right of ways (rent)
Revenue Options

Regulatory Fees

- Home rule revenue sources that may be imposed pursuant to a local government’s police powers in the exercise of a sovereign function
  - Fee should not exceed the regulated activity’s cost
  - Generally required to be applied solely to the regulated activity’s cost for which the fee is imposed

- Examples
  - Building permits
  - Inspection fees
Special Assessments

- Compulsory levy made against certain specified properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those specified properties.

- Home rule revenue source used to construct and maintain capital facilities, and to fund certain services.

- Requirements
  - Assessed property must derive a special benefit from the improvement or service.
  - Assessment must be fairly and reasonably apportioned among the properties that receive that special benefit.
Special Assessments

- Examples of improvements and services approved by courts:
  - Beach Renourishment
  - Downtown Redevelopment
  - Garbage Disposal
  - Sewer Improvements
  - Stormwater Management Services
  - Fire Protection

- Special assessments are generally collected on the annual ad valorem tax bill and is characterized as a non-ad valorem assessment
# Revenue Options

## City Examples

<table>
<thead>
<tr>
<th>Service</th>
<th>Proprietary Fee</th>
<th>Regulatory Fee</th>
<th>Special Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stormwater</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wastewater Service</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solid Waste Collection</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parking</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building Permits</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Impact Fees</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>EMS Transport</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decorative Streetlights</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Downtown Redevelopment</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>
Revenue Options

Fee / Special Assessments Opportunities

- Generally speaking proprietary fees are accounted for in special funds
  - Are not generally available for general purpose uses

- The City cannot charge regulatory fees greater than the actual cost to provide the regulated activity
  - Not a general purpose revenue

- Special Assessments
  - Beach Renourishment
  - Downtown Redevelopment → Already in use; not a general purpose revenue
  - Garbage Disposal → Already a proprietary fee
  - Sewer Improvements → Already a regulatory (impact) fee
  - Stormwater Management Services → Already a proprietary fee
  - Fire Protection
Revenue Options

Fire Special Assessment - Criteria

• The property assessed must derive a special benefit from the improvement or service provided
  – Relief of threat or cost burden
  – Assured fire protection on call
  – Maintenance of minimum insurance rating

• The assessment must be fairly and reasonably apportioned among the properties receiving the special benefit
  – Relative value of improvements
  – Readiness to serve
Florida Supreme Court has determined that EMS primarily benefit persons instead of real property
- Costs of EMS should be excluded from the assessment calculation, including those costs that even appear to be EMS related (i.e. ALS certification pay)

Certain parcels can be excluded from the assessment calculation
- Government owned (296 parcels)
- Parcels that don’t benefit from fire protection services (i.e. submerged or undevelopable lands)

Methodology can include “institutional” parcels which the City may exclude from the assessment (i.e. churches, non-profits)
Fire Special Assessment – Recovery Opportunity

Based on FY2012:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Fire Department Budget</td>
<td>$81,640,508</td>
<td>100%</td>
</tr>
<tr>
<td>ALS Adjustment</td>
<td>-$41,702,403</td>
<td>51.1%</td>
</tr>
<tr>
<td>Eligible for Fire Assessment</td>
<td>$39,938,105</td>
<td>48.9%</td>
</tr>
</tbody>
</table>
Revenue Options

Fire Special Assessment – Note

• Counties have the ability to levy a special millage rate for fire protection services
  ▪ Municipal Service Taxing Unit
    – Orange County charges an Unincorporated Fire Fee
      ▪ 2.2437 mills

• Applying the County’s MSTU rate to the City tax roll will generate approximately $40M
  – Estimate of City costs attributable to fire protection is $39.9M
Revenue Options

Fire Special Assessment – Calculation Options

- Cost per call type methodology
- Readiness to serve / value of property methodology
  - Tier 1 Flat amount applied to every covered parcel
  - Tier 2 Rate applied to property value
City Council Workshop / Fiscal Year 2015 Budget

Revenue Options / Authorized by State Legislature

April 28, 2014
Revenue Options

Communication Services Tax

- Applies to telecommunications, video, direct-to-home satellite, and related services
  - Voice, data, audio, video, or any other information or signals transmitted by any medium

- Municipalities that do not levy permit fees may charge a rate up to 5.22%

- Current City rate is 5.22%
Local Business Tax

- Fees charged and method by which a local government grants the privilege of engaging in or managing any business, profession, and occupation within its jurisdiction

- Rates can be increased or decreased by up to 5% every other year with a City Council majority plus one vote

- Rates last increased on October 1, 2006

- 5% Increase generates approximately $350k
Local Discretionary Sales Surtax

- State law authorizes eight different sales tax surcharges
  - One dedicated to school construction

- Enacted and imposed by the County; municipal governments and school districts may receive all or some of the proceeds depending on the terms of the surcharge being imposed

- Each 1% surcharge represents $64.5M to the City

- Of the seven non-school surtax options, Orange County is permitted to authorize one to four different surcharges to a maximum of 3%
## Local Discretionary Sales Surtax

<table>
<thead>
<tr>
<th>Option</th>
<th>✔️ = Available in Orange County (Condition Which Excludes Orange County)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter County and Regional Transportation System Surtax</td>
<td>✔️</td>
</tr>
<tr>
<td>Local Government Infrastructure Surtax</td>
<td>✔️</td>
</tr>
<tr>
<td>Small County Surcharge</td>
<td>(Population less than 50k)</td>
</tr>
<tr>
<td>Indigent Care and Trauma Center Surtax</td>
<td>✔️</td>
</tr>
<tr>
<td>County Public Hospital Surtax</td>
<td>(Only Miami-Dade)</td>
</tr>
<tr>
<td>Voter-Approved Indigent Care Surtax</td>
<td>(Population less than 800k)</td>
</tr>
<tr>
<td>Emergency Fire Rescue Services and Facilities Surtax</td>
<td>✔️</td>
</tr>
</tbody>
</table>
Local Discretionary Sales Surtax

- **Charter County and Regional Transportation System Surtax**
  - Only 3 of 31 eligible counties levy this surcharge
  - Available to home rule charter counties as well as counties that is within or under a local agreement with a regional transportation or transit authority
    - Central Florida Regional Transportation Authority
  - Levy is subject to approval of a majority vote of the county’s electorate or by charter amendment approved by a majority of the county’s electorate
  - Tax proceeds can be used for the development, construction, operation, and maintenance of fixed guideway rapid transit systems, bus systems, on-demand transportation services, and roads and bridges
Local Discretionary Sales Surtax

- **Local Government Infrastructure Surtax**
  - 17 of 67 eligible counties levy this surcharge
  - May be levied at a rate of 0.5 or 1 percent pursuant to an ordinance enacted by a majority vote of the county’s governing body and approved by voters in a countywide referendum
    - Municipalities representing a majority of the county’s population may initiate the surtax through the adoption of uniform resolutions calling for a referendum on the issue
  - Proceeds may be used to finance, plan and construct infrastructure, and/or acquire land for public recreation, conservation, or protection of natural resources
Local Discretionary Sales Surtax

- **Indigent Care and Trauma Center Surtax**
  - Currently only Hillsborough County levies this surtax
  - Non-consolidated counties with a population greater than 800k may impose a surtax not to exceed .5% for the purpose of funding health care services for qualified residents
  - Extraordinary vote of the governing body or voter approval in a countywide referendum
  - Ordinance adopting this surtax must define health services to qualified residents
    - Indigent
    - Medically poor
    - Participating in innovative, cost-effect program
Local Discretionary Sales Surtax

• **Emergency Fire Rescue Services and Facilities Surtax**
  – Currently no eligible counties are levying this surcharge

  – Counties may levy a rate of up to 1% pursuant to an ordinance enacted by a majority vote of the county’s governing body and approved by voters in a countywide referendum
    ▪ A county that has imposed two separate discretionary surtaxes without expiration cannot levy this surtax

  – Proceedings must be expended for specified emergency fire rescue services and facilities
Municipal Parking Facility Space Surcharge

- Applicability
  - Any municipality with a population greater than 200k, with more than 20% real property exempt from ad valorem taxation, and located within a county with a population greater than 500k
  - Hialeah, Jacksonville, Miami, Orlando, St Petersburg, Tampa

- Authorization
  - Impose and collect parking a facility space surcharge, based on a percentage of the amounts charged for the sale, lease, or rental at municipal parking facilities that are open to the public
Revenue Options

Municipal Parking Facility Space Surcharge

• Use of funds

  – No less than 60% and no more than 80% must be used to reduce ad
    valorem tax millage, or to reduce or eliminate non-ad valorem
    assessments

  – No less than 20% and no more than 40% must be used to improve
    transportation related items, including
    ▪ Streets and roadways
    ▪ Sidewalks
    ▪ Landscape and streetscape beautification in downtown or urban core areas
    ▪ Transit
City Council Workshop / Fiscal Year 2015 Budget

Cost Recovery Opportunities

April 28, 2014
Cost Recovery Opportunities

GOAA Reimbursement

- The City has agreements with GOAA to provide police and fire services
  - Orlando International Airport – 74 OPD positions
  - Executive Airport – 1 24/7 OFD position to staff the crash truck

- Per the agreements the City could recover direct cost plus allowable indirect costs
  - City has not billed for allowable indirect costs
  - Since FY2007 the City has had prepared a Full Cost Allocation Plan and OMB Circular A-87 Cost Allocation Plan, the precursor for billing for indirect costs

- Estimated recovery opportunity – roughly $2.5 million annually
School Resource Officers

- 34 Sergeant / Police Officer positions assigned to the program

- Reimbursement contract with Orange County Public Schools
  - Staffing (25.75 positions)
    - Two Officers at each high school
    - One Officer at each middle school
    - .25 Officer at each elementary school
  - Financial reimbursement
    - $27,500 reimbursed for a full-time officer at a middle and high schools for the 10-month school year.
    - $6,875 reimbursed for a part-time officer at elementary schools for the 10-month school year.
School Resource Officers

- FY2014/15 Projection

  | Program Cost to City | $4.4 million |
  | OCPS Reimbursement   | $0.7 million |
  | Difference           | $3.7 million |
Cost Recovery Opportunities

OUC Dividend Revenue

- Since the revised dividend agreement with OUC revenue has not kept pace with CPI

![Graph showing OUC Dividend Revenue and Revenue Since 2006 Adjusted for CPI from 2006 to 2014, with a total of $8M]
City Council Workshop / Fiscal Year 2015 Budget

Budget Development Calendar

April 28, 2014
Budget Development Calendar

Key Dates

- Today: Workshop – Revenue and Cost Recovery Options
- May 30th: “Best Estimate of Taxable Value” Letters Sent
- June 19th: Delivery of Preliminary Tax Roll Information (DR420)
- July 28th: Adoption of Preliminary Millage Rate for FY2015
- August 14th: TRIM Notices Mailed by Property Appraiser
- September 3rd: First Possible Date for Budget Hearing
- October 1st: Start of the Fiscal Year