

# **Board of County Commissioners**

## **Agenda Request**

Date of Meeting: May 19, 2009

Date Submitted: May 15, 2009

To: Honorable Chairman and Members of the Board

From: Benjamin H. Pingree, County Administrator  
Timothy P. Barden, Assistant County Administrator  
Jennifer Langston, Special Projects Coordinator

Subject: Second Budget Workshop Regarding the Development of the FY2009/2010 Budget.

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### **Statement of Issue:**

This workshop is the second scheduled workshop in the development of the FY2009/2010 Budget whereby the Board shall provide its initial direction to the preparation of the FY09/10 budget as well as review the alternative revenue options available to fund critical services and infrastructure needs.

### **Background:**

The FY2009/2010 budget calendar was approved by the Board on January 6, 2009. The approved Budget Calendar lays out the budget development process so that the Board and public are aware of the events that will lead up to adoption of the final FY2009/2010 budget in September. This is the second of five workshops that the Board will hold during the budget process. The approved calendar also includes public hearings, including those required under state law, for further citizen and Board input throughout this process to enhance citizen access, input and ownership of the final budget.

On February 17, 2009, the Board held the first of five scheduled workshops for FY2009/2010 budget process.

On March 17, 2009, the Board ratified the following recommended actions presented at the 1<sup>st</sup> Budget workshop:

1. Roll-back rate and the maximum millage rate calculation for FY 2009/2010 millage.
2. Components of the FY 2009/2010 Budget Plan
  - No new programs/maintain current funding levels
  - Zero position growth
  - Cost of Living Allocation (COLA) for Employees
  - Enhanced focus on new grant opportunities
  - Enhanced Board focus on the Capital Improvement Plan.
3. Alternative funding options that were presented to the Board by Nabors, Giblin & Nickerson, PA. that included the following:

- Special Assessments
- Public Service Tax (PST)
- Solid Waste Licensing Fee
- Utility Regulation

**Analysis:**

These workshops provide the Board the opportunity to give staff direction in the budget process as well an opportunity for the public to voice their opinions and concerns regarding the upcoming budget. During these workshops, staff will receive direction from the Board regarding the formulation of the FY2009/2010 Tentative Budget. The analysis section of this workshop item will consist of the following:

1. Discussion of the roll-back rate and the maximum millage rate calculation and analysis of the potential FY 2009/2010 millage based on the preliminary property tax values received from the Property Appraiser.
2. Discussion and analysis of the Public Service Tax (PST).
3. Discussion of new legislation related to the Budget as a result of the latest legislative session.

**Roll-Back Rate:** Millage rate needed to be levied in the new fiscal year to generate the same amount of tax dollars as adopted in the previous fiscal year. Voter approved debt levies are excluded from the calculation. Value of new construction is excluded from the current year total. Rolled-back rate adjusts prior year for reappraisals based on market value of property and represents "no tax increase." The only source of additional tax revenue, if the roll-back rate is levied, is the tax on new construction (Note: New construction, additions to existing structures, major rehabilitations and annexations are excluded from the roll-back). The roll-back rate for FY 2009/2010 will be calculated as follows:

**Maximum Millage Determination for (FY2009/2010)**

According to Florida Statute s. 200.065(5), beginning in the 2009-10 fiscal year, the maximum millage with a majority vote is "a rolled-back rate based on the amount of taxes which would have been levied in the prior year if the maximum millage rate had been applied, adjusted for the change in per capita Florida personal income, unless a higher rate is adopted, in which case the maximum is the higher rate." The intent appears to be that if a rate higher than the maximum millage rate was adopted in the prior year, a rolled-back rate based on this higher millage should be calculated and further adjusted for the change in per capita Florida personal income.

In the FY2008/2009, the Board adopted a millage rate of 8.0000 mills which generated a total of \$11,564,621 (95%=\$10,986,391) based on a taxable value of \$1,445,577,704. The maximum millage that the Board could have adopted by a simple majority vote was 8.1488 based upon the calculations prescribed by Florida Statutes. Had the Board not reduced the adopted millage rate, and adopted by simple majority the 8.1488 as the millage rate based on the final adjusted taxable value, the total tax

revenue would have been \$11,914,323. Therefore, for FY2009/2010 the roll back rate calculation formula allowable by statute allowable by a simple majority vote will be as follows:

**Statutorily Allowable Maximum Millage Rate Calculation By Simple Majority Vote:**

$$\frac{\text{Net 2008-2009 Max. Millage Tax Revenue}(\$11,914,323)}{\text{Net 2009-2010 Est. Taxable Value}(\$1,318,890,768)} \\ = \text{Roll-Back Rate} (9.0336)$$

**Statutorily Allowable Millage Rate Calculation Based on FY08/09 Adopted Millage:**

$$\frac{\text{Net 2008-2009 Max. Millage Tax Revenue}(\$11,696,763)}{\text{Net 2009-2010 Est. Taxable Value}(\$1,318,890,768)} \\ = \text{Roll-Back Rate} (8.8686)$$

In accordance with statutory language, for FY2009/2010 the millage rate that may be applied based upon a simple majority vote of the Board of Commissioners, is the roll back rate calculated pursuant to Florida Statutes section 200.065, adjusted for growth in personal income which is 1.0250 calculated by the Department of Revenue.

**Statutorily Allowable Millage Rate Calculation Based on FY08/09 Adopted Millage Plus Personal Income Growth**

$$\frac{\text{Net 2008-2009 FY08/09 Adopted Millage Tax Revenue} (11,696,763)}{\text{Net 2009-2010 Taxable Value} (1,318,890,768)} \\ = \text{Roll- Back Rate} (8.8686) \\ + \\ \% \text{ Personal Income Growth} (1.0250\%) \\ = \text{FY 2009/2010 Tentative Millage Rate for Wakulla County} (9.0903)$$

The property tax revenue that would be generated by the adopted millage roll back rate plus personal income growth of 9.0903 would be \$11,989,113. This would be increased of \$292,349 over the FY08/09 property tax revenue. If the Board chooses to keep the millage rate of 8.0000, that will generate \$10,551,126, which is a deficient in tax revenue from FY08/09 of (\$1,145,637).

**NOTE:** At this time, staff is seeking Board direction to develop the FY2009/2010 Tentative Budget with a millage rate calculated based upon the FY08/09 Adopted Millage Rate with the personal

income growth added as a percentage to the roll-back rate as stated above OR at a level to be determined by the Board.

Below is an example of the tentative millage rate for FY09/10 with the personal income growth of 1.0250. The tax roll is calculated based the Property Appraiser’s office preliminary estimate of the property tax value for FY2009/2010(Attachment #1).

Year	Previous Year Tax Revenue	Net Taxable Value	Roll Back Rate	Personal Income Growth	Millage Rate	Adopted Millage Rate
2008/2009	11,963,462	1,445,577,704	8.5866	1.0145%	8.1488	8.0000
2009/2010	11,914,323	1,318,890,768	9.0336	1.0250%	9.2594	TBD
<b>2009/2010</b>	<b>11,696,763</b>	<b>1,318,890,768</b>	<b>8.8686</b>	<b>1.0250%</b>	<b>9.0903</b>	<b>TBD</b>

Staff is also seeking Board direction at present to develop next year’s budget plan with a roll back rate of 9.0903. This is the roll back rate based on the 8.0000 millage rate adopted by the Board for FY08/09 plus personal income growth. Should the Board provide staff direction to pursue a millage rate lower than the roll back rate, a tax reduction will occur. For example, a millage rate of 8.0000 mills would be an estimated 9.79% tax reduction creating \$1,145,637 funding shortfall compared to FY08/09. Direction to create a budget with such a millage rate would also require additional direction on how to close the gap (either by service cuts or fee increases). The following section provides additional information regarding one such available new user fee, should the Board seek to approve a property tax decrease below the rolled back millage rate.

**Alternative Revenue Options:**

With the anticipated decrease in property tax revenue and other tax revenue due to the decrease in property values and the sharp decline the economy, alternative revenues need to be considered to make for the loss of tax revenue. There are alternative revenue options available to the County to increase revenues to provide vital county services. Some of the alternative revenue options can now be realized because Wakulla County is a charter county as of November 2008. One of these revenue options available to Charter Counties is the Public Service Tax.

**Public Service Tax**

The Public Service Tax (PST) is a tax authorized by Florida Statute 166.231-.236, to be levied by municipalities and charter counties by ordinance. It is a tax on the purchase of electricity, metered natural gas, liquefied petroleum either metered or bottled. The tax shall be levied only on purchases within the municipalities or the unincorporated areas of the charter county. The tax cannot exceed 10% of the payments received by the seller. The proceeds from this revenue are considered general revenue and can be used for any general purpose. The tax shall be collected by the seller of the taxable item from the purchaser at the time of payment for such service.

Fuel oil (a.k.a. kerosene) may be taxed at a rate up to four cents per gallon. The state provides that the maximum tax on fuel oil must be in the same proportion to four cents compared to the proportion of the tax rate levied by the county or municipality to the maximum rate authorized on utilities. In other words, if the county or municipality should decide to levy an eight percent tax on utilities, the maximum tax on fuel oil is 80 percent of four cents, or 3.2 cents per gallon.

#### Process - Wakulla County Timeline for PST

The Department of Revenue requires at least 120 days notification prior to the adoption of an ordinance or repeal of the tax levy. The effective date of every levy or repeal thereof must be a subsequent calendar quarter January 1, April 1, July 1, or October 1. The earliest effective date Wakulla County could levy a Public Service Tax would be January 1, 2010 should the BOCC review and approve an Ordinance by July 21, 2009.

#### Exemptions

Counties or municipalities are mandated to provide certain exemptions and authorized to allow discretionary exemptions for purchases used in agriculture, industry and residences as well as an exemption for public bodies not included on the mandatory list of exempt governments. No exemptions may be granted by the County unless specifically authorized in the statutes. (Attachment#2)

#### Mandatory Exemptions

- Fuel Adjustment Charge – all increases in the cost of utility services to the consumer resulting from an increase in cost of fuel to the utility subsequent to October 1, 1973.
- Public and Private Utilities – their purchases of natural gas, manufactured gas, or fuel oil for use as fuel in the generation of electricity.
- Fuel Oil and Kerosene – for use as an aircraft engine fuel or for use in internal combustion engines.
- Government Purchases – by the United States Government, the state, counties, school districts, and municipalities.
- Church Purchases – by any recognized church for use exclusively for church purposes.

#### Potential Revenue Generation from PST

The following table provides a list of some of the Public Service Providers within Wakulla County that would be considered under a PST. It should be noted that a 2% discount is offered in other counties if the tax is paid by the 20<sup>th</sup> of the month. These incentives as well as the exemptions would lower projected revenue.

Staff researched total revenue generated from electric, water and propane. The figures are estimated based on public service providers' total revenue generated within the Wakulla County from fiscal year 2007-08. These figures do not include every provider within the County nor do they include mandatory exemptions required by Florida Statutes Section 166.231. Since this tax has never been

implemented in Wakulla County and the effects of the mandatory exemptions are unknown at this time, staff estimated a further 20% reduction in revenue for those exemptions.

**2008 Wakulla County Revenue from Public Service Tax Based on 10%**

	<b>Electric</b>	<b>Water</b>	<b>Gas</b>	<b>Total</b>
Progress Energy	\$14,008,82	N/A	N/A	\$14,008,829
Talquin	\$15,836,480	\$857,481	N/A	\$16,693,962
Gas Inc.	N/A	N/A	\$344,804.44	\$344,804
Sopchoppy Water	N/A	\$955,185	N/A	\$955,185
PAWS	N/A	N/A	N/A	N/A
City of St. Marks	N/A	\$24,685	N/A	\$24,685
<b>Total</b>	<b>\$29,845,309</b>	<b>\$1,837,351</b>	<b>\$344,804.44</b>	<b>\$32,027,465</b>
<b>Est. 20% Reduction for Mandatory Exemptions</b>	<b>\$23,876,248</b>	<b>\$1,469,881</b>	<b>\$275,844</b>	<b>\$25,621,973</b>
<b>Total Potential Revenue for Wakulla County with PST at 10%</b>	<b>\$2,387,624</b>	<b>\$146,988</b>	<b>\$27,584</b>	<b>\$2,562,197</b>

**Charter County Comparison**

Staff also researched other charter counties to provide a comparison of revenue generated by implementing a Public Service Tax. The following counties were evaluated: Leon, Clay, and Polk Counties. The chart below shows the comparison of counties as well as a break-down of possible revenue for Wakulla County based on different percentage rate options.

**Potential Revenue Generation Based on Percentage (%) for Wakulla County**

<b>Charter County</b>	<b>Total Population</b>	<b>Estimated PST Revenue FY-2008-09 at (10%)</b>	<b>Tax Revenue at 8%</b>	<b>Tax Revenue at 6%</b>	<b>Tax Revenue at 4%</b>	<b>Tax revenue at 2%</b>
Wakulla	31,089	\$2,562,197	\$2,049,757	\$1,537,318	\$1,024,878	\$512,439
Leon	272,497	\$5,377,000	0	0	0	0
Polk	581,058	\$26,854,805	0	0	0	0
Clay	182,023	0	0	0	\$2,825,000	0

Leon County’s unincorporated population is 96,476. There are also many state and local offices as well as universities which would not be subject to the tax and may skew a comparison of the revenue collected. Clay County although considerably larger than Wakulla County gives a more realistic comparison of what type of revenue might be expected should the tax be levied. Polk County gives another example of a county without significant state facilities which implemented a 10% Public Service Tax.

The revenue estimates above are based on revenue generated for a 12 month period. Since the earliest that this tax may be implemented is January, 2010, staff would utilize a very conservative 9 month revenue estimate starting on January 1, 2010 for FY09/10 based on the percentage of the PST the Board chooses to adopt. Staff is not recommending approval of this tax at this time. However, it is a viable alternative that exists should the Board seek to provide further property tax relief in setting the millage. Staff does seek Board direction on the potential use of this tax, which is a user fee; as a mechanism to balance the budget without service cuts SHOULD the Board seek a millage rate below the rolled back rate of 8.8686 mills.

**Legislative Budget Impacts Update**

The 2009 legislative session was extended in order to complete the Budget process and concluded on May 8<sup>th</sup>. The \$66.5 billion dollar State budget passed by a vote of 75-43. The information listed below includes the various sources and amount of funding that Wakulla County anticipates receiving from the State based on the 2009 legislative session. In addition, information regarding the typical programs that Wakulla County typically relies on, but was *not* funded in the current State budget is listed. (NOTE: *The information listed below is subject to veto by the Governor*).

**2009-2010 Estimated State Funding to Wakulla County**

<b>Source of Funding</b>	<b>Description</b>	<b>Estimated Wakulla County Share <i>Unless otherwise indicated</i></b>
Small County Solid Waste Grants	Funds are distributed through DEP to counties with populations less than 100,000.	\$ 78,787 <b>(-\$183,541)</b> less than last

	These grants are distributed equally among those counties. Activities supported with these grants include general solid waste management, litter prevention and control, and recycling and education programs.	year
State Aid to Libraries	This is funding distributed by formula to enable libraries to provide services such as access to government services, education and reading.	\$95,274 (-\$23,276)-less than last year
Small County Outreach Program (SCOP)	<p>This program assists small county governments in resurfacing or reconstructing county roads or in constructing capacity or safety improvements to county roads. Small counties shall be eligible to compete for funds that have been designated for the Small County Outreach Program for projects on county roads. The Department shall fund 75% of the cost of projects on county roads funded under the program. Revisions to this program.</p> <p>A revision was made to expand the use of SCOP funds to now include expenditures on repairing or rehabilitating county bridges, addressing road-related drainage and paving un-paved roads.</p>	\$23 million STATE AMOUNT
Small County Resurface Assistance Program (SCRAP)	This program assists small county governments in resurfacing and reconstructing county roads. The primary criterion is the physical condition of the road as measured by the Department. Revisions to SCRAP includes removing the previous millage eligibility requirement, and adds a criterion to benefit fiscally constrained counties in prioritization of projects.	\$25 million STATE AMOUNT

**BUDGET ITEMS OF INTEREST**

- The General Appropriations Act includes the closing of the Crawfordville Driver's

License Office.

- Amendment 1 Offset Funding for Fiscally Constrained Counties-The Legislature included \$23.5 million in fiscally constrained funding for counties for Amendment 1. Wakulla County's portion of that funding is approximately \$985,000 as compared to last year which was \$424,000. **That is a 67% increase over the current year.** There will be a budget workshop on June 18<sup>th</sup> that will include further analysis on the impact of this increase on the County's General Fund.
- CS/SB 1718 Judicial System-This bill provides for the interest earned from County funds to be expended as receipts of the county as approved by the Board of County Commissioners pursuant to chapter 129.
- Florida Recreation Development Assistance Program-FRDAP is a competitive grant program that provides financial assistance to local governments for development or acquisition of land for public outdoor recreational purposes. Wakulla County typically seeks funding from this program, but was not funded this year.
- Florida Forever- Funding for this program is distributed by the Florida Department of Environmental Protection to a number of state agencies and programs to purchase public lands in the form of parks, trails, forests, wildlife management areas and more. All of these lands are held in trust for the citizens of Florida. Wakulla County typically seeks funding from this program, but the state did not authorize any funding this year.
- Various Fee Increases-Citizens will experience increases in fees such as court filing fees, fees associated with registration of vehicles, and an additional \$1 cigarette tax and fishing licenses just to name a few.
- County Health Departments-A statutory revision was made that could affect the County Health Department's ability to either create new positions, or appropriately compensate health care professionals.
- Inland Protection Trust Fund-Wakulla County currently takes advantage of this program used to clean up leaking petroleum storage tanks. The State pays 75% and the County pays 25%. This program experienced a reduction in funding. The specific impact to Wakulla County is unknown at this time. Information from DEP is forthcoming.

**Summary of Requests for Board Action:**

- Direct staff to set the tentative millage rate based on the rolled back rate of the FY08/09 adopted millage rate plus the percentage growth in personal income. Allow this millage rate to be used in the development of the FY2009/2010 budget; OR

- Direct staff to provide further property tax relief by way of adopting a budget plan LOWER than the rolled back rate. For example, 8.0000 mills would serve as a 9.79% reduction in property tax revenues and would create a \$1,145,637 shortfall below existing budget. If the Board takes such action, staff seeks direction regarding how then to balance the tentative budget. This may include direction to a) cut spending across the Board or in targeted areas, or b) draft an ordinance to implement the Public Service Tax based upon a percentage approved by the Board to meet the 120 day notice required by the Department of Revenue.
- Accept staff report on the legislative impacts on the FY09/10 budget and include such impacts in the Tentative FY2009/2010 budget.

**Options**

1. Approve recommended actions stated above.
2. Approved modified actions per the Board
3. Board Direction

**Recommendation:**

Option # 1

**Attachments:**

1. Property Appraiser's May 1, 2009 Estimate Taxable Value.
2. Florida Statute 166.231-235-Public Service Tax.