

City of Orlando, Florida

City Council Workshop / Fiscal Year 2015 Budget

April 28, 2014



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



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Revenue Options

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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



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Revenue Options / State Constitution

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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

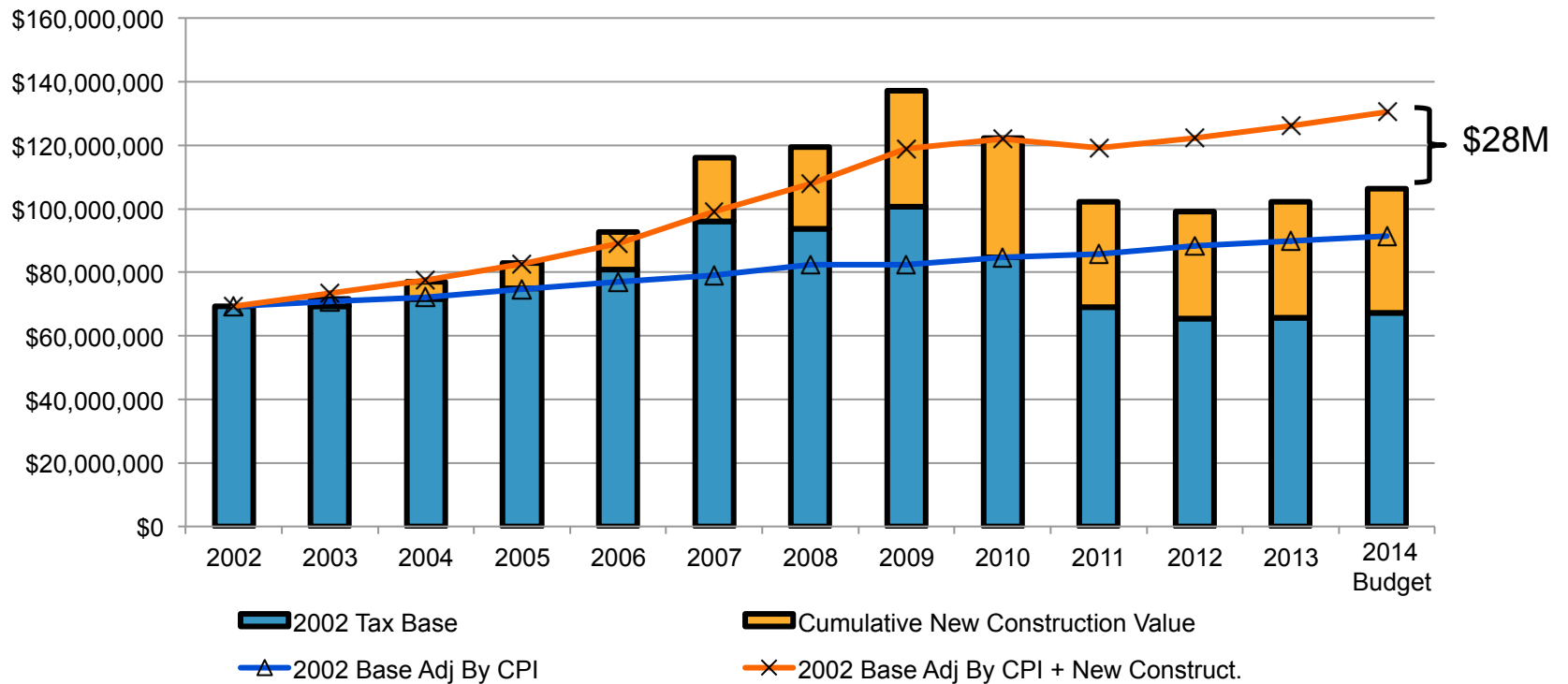
<u>Fiscal Year</u>	<u>Operations</u>	<u>Debt*</u>	<u>Total</u>
2008	4.9307	-	4.9307
2009	5.6500	-	5.6500
2010	5.6500	-	5.6500
2011	5.6500	-	5.6500
2012	5.6500	-	5.6500
2013	5.6500	-	5.6500
2014	5.6500	-	5.6500

* Last used in 1980

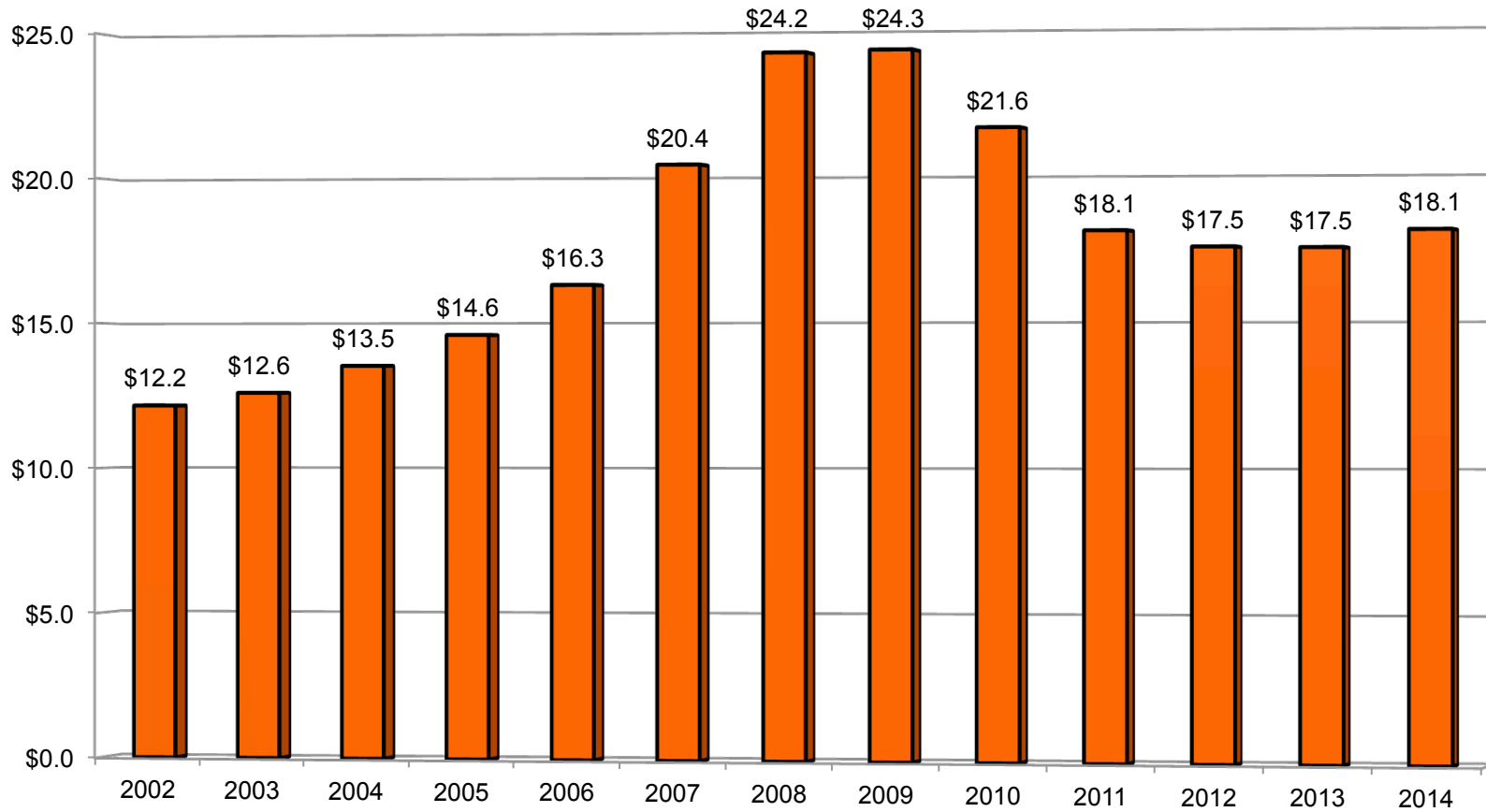


Property Taxes

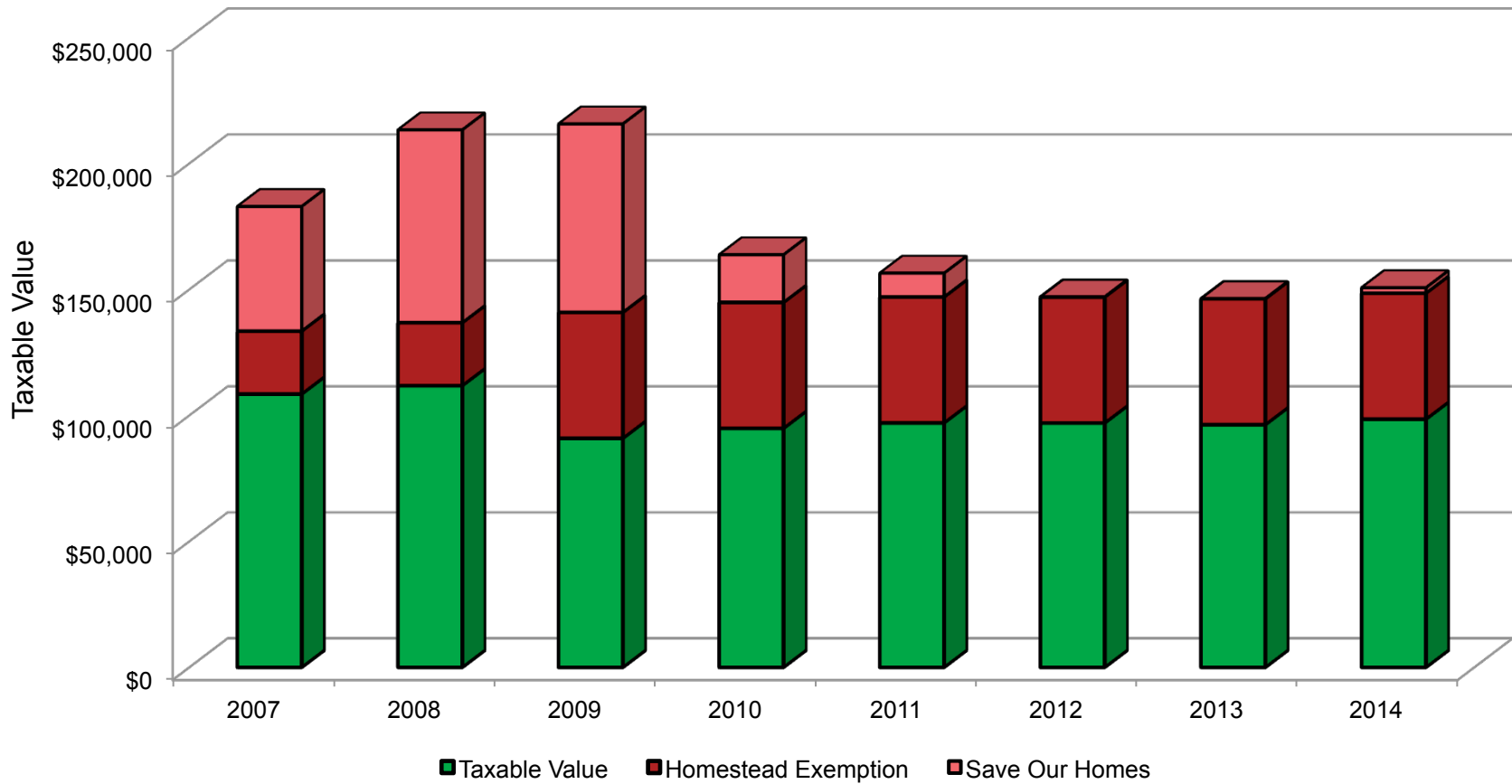
Property tax revenue has not kept pace with inflation



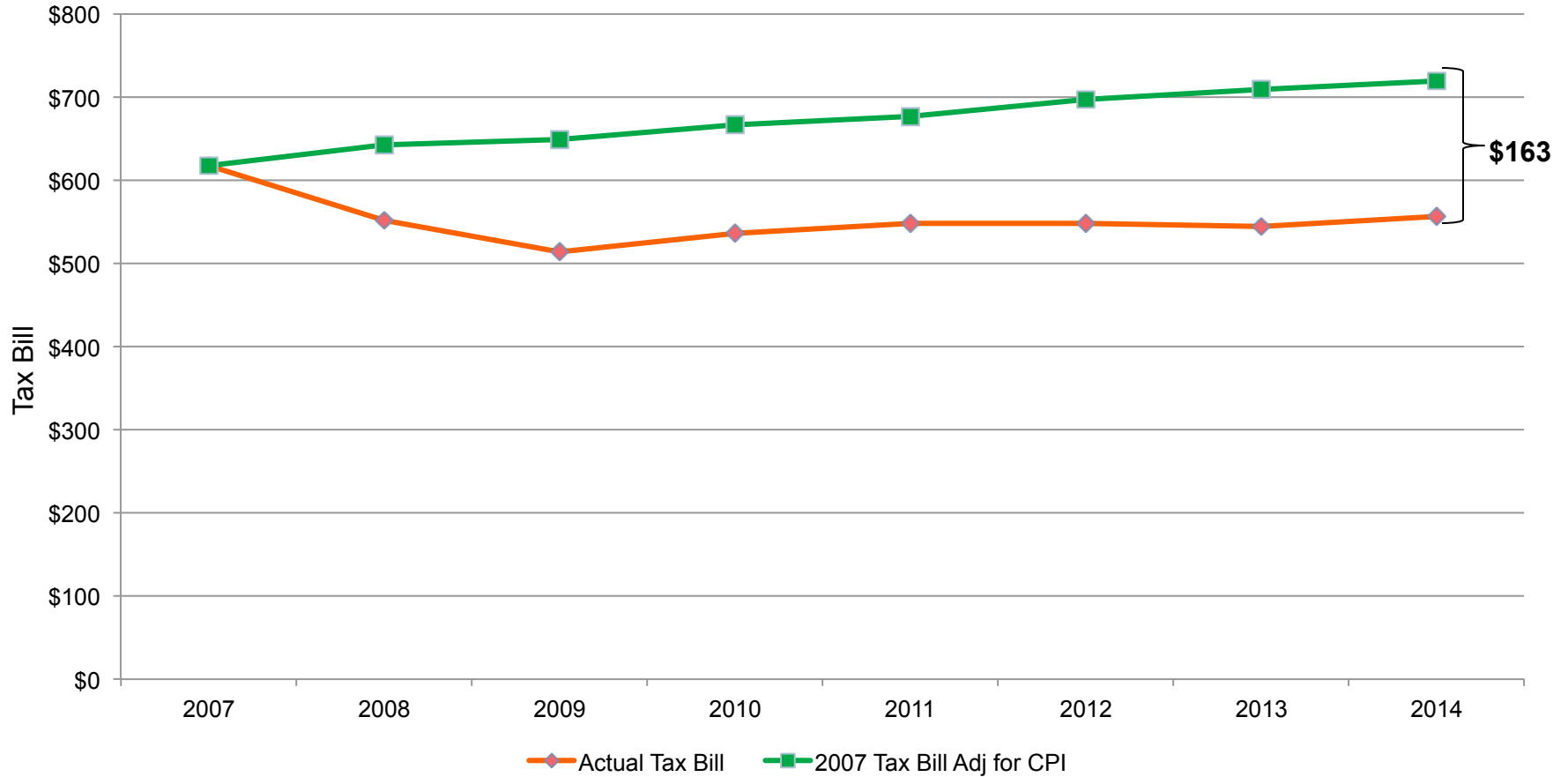
Value of 1 Mill



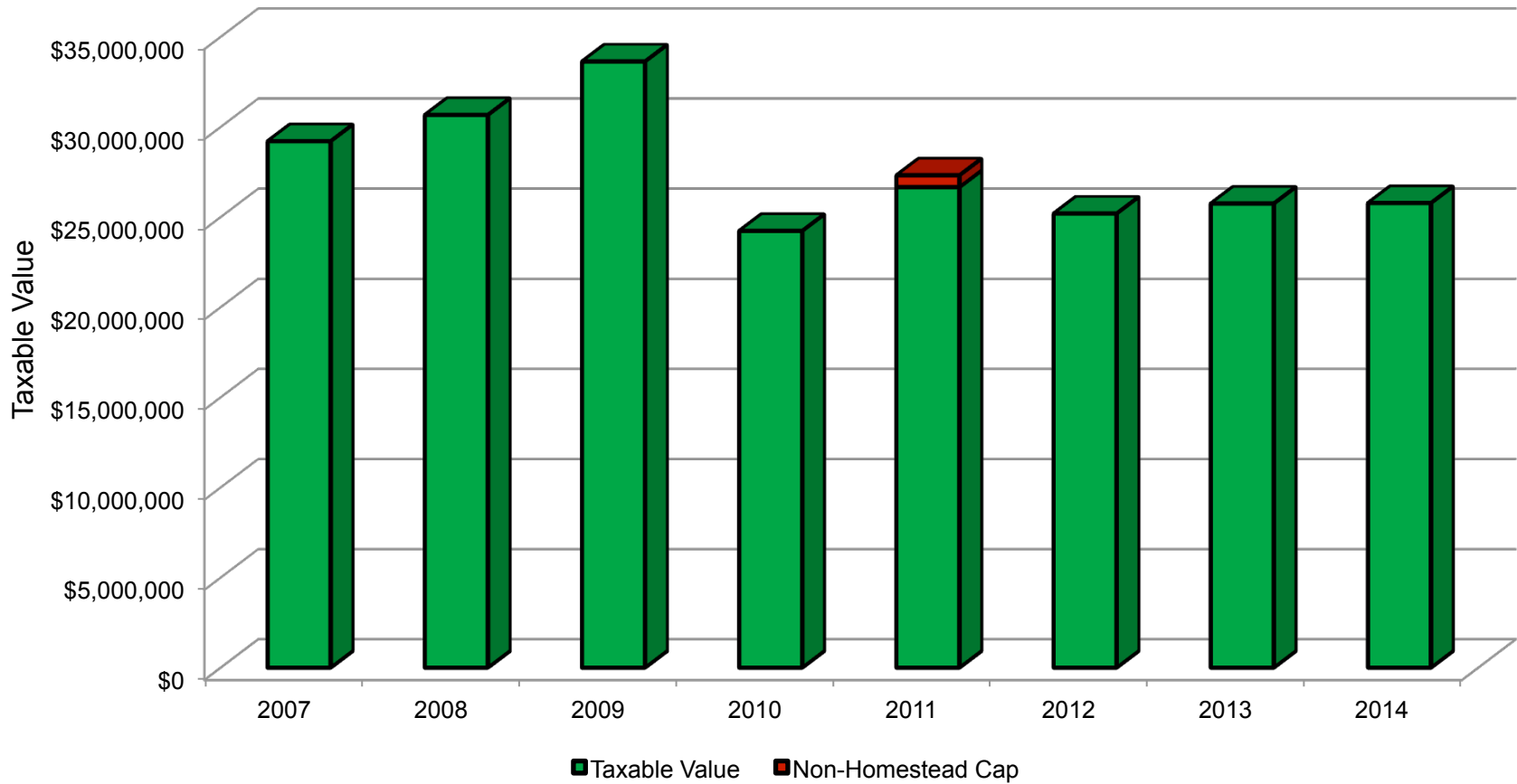
Example of a \$200k Homestead Property



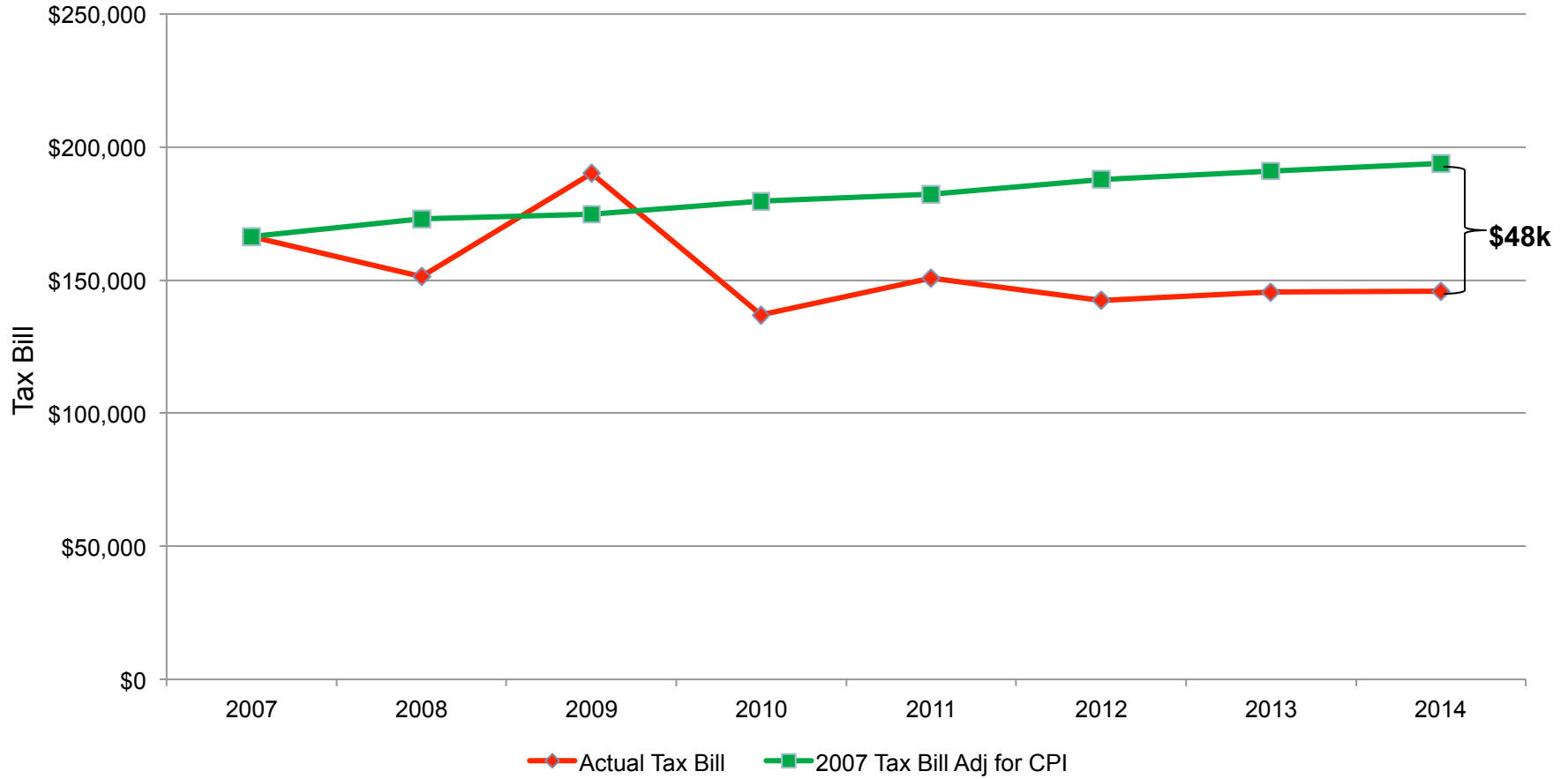
Example of a \$200k Homestead Property



Example of a High Value Commercial Property



Example of a High Value Commercial Property



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



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)



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Revenue Options / Home Rule Authority

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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)



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



City Examples

	Proprietary Fee	Regulatory Fee	Special Assessment
Stormwater	✓		
Wastewater Service	✓		
Solid Waste Collection	✓		
Parking	✓		
Building Permits		✓	
Impact Fees		✓	
EMS Transport	✓		
Decorative Streetlights	▪		✓
Downtown Redevelopment		▪	✓



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



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



Fire Special Assessment - Considerations

- 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:

Total Fire Department Budget	\$81,640,508	
ALS Adjustment	<u>-\$41,702,403</u>	51.1%
Eligible for Fire Assessment	\$39,938,105	48.9%



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



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



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Revenue Options / Authorized by State Legislature

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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

Option	✓ = Available in Orange County (Condition Which Excludes Orange County)
Charter County and Regional Transportation System Surtax	✓
Local Government Infrastructure Surtax	✓
Small County Surcharge	(Population less than 50k)
Indigent Care and Trauma Center Surtax	✓
County Public Hospital Surtax	(Only Miami-Dade)
Voter-Approved Indigent Care Surtax	(Population less than 800k)
Emergency Fire Rescue Services and Facilities Surtax	✓



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

 - Proceeds 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



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



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Cost Recovery Opportunities

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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

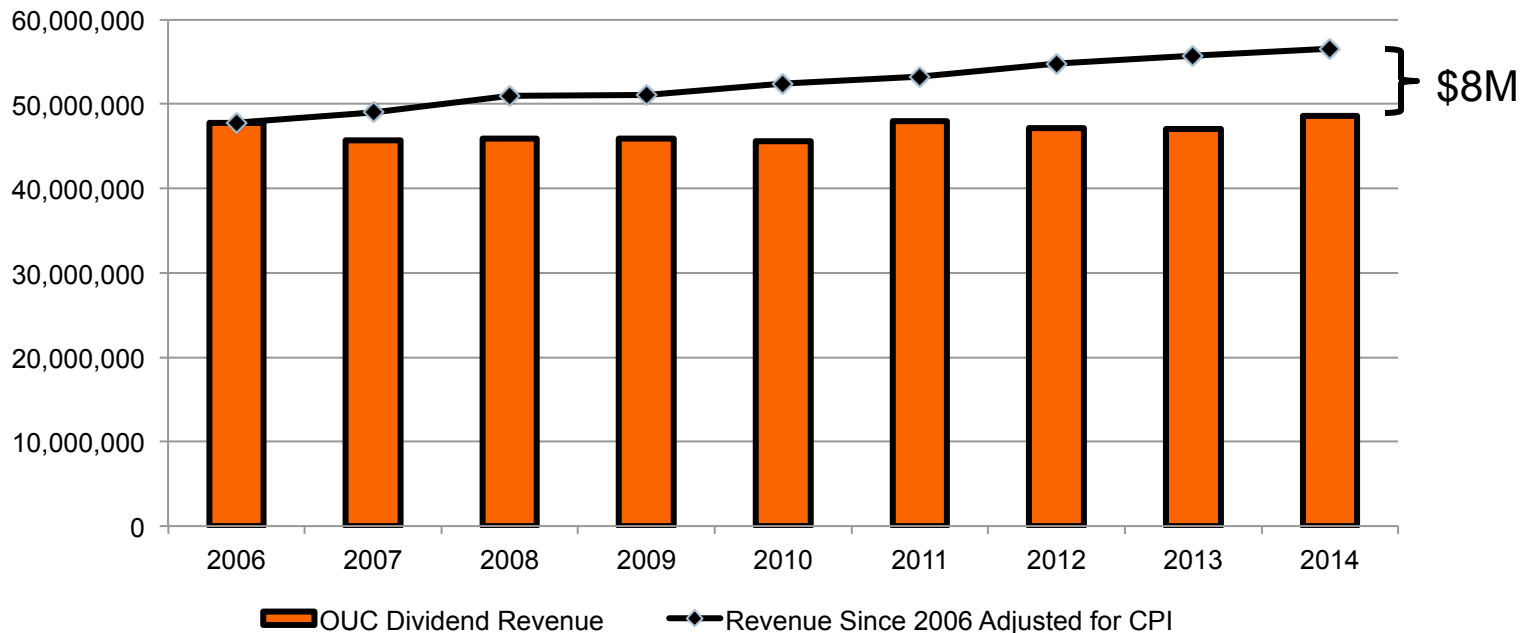
- FY2014/15 Projection

Program Cost to City	\$4.4 million
OCPS Reimbursement	\$0.7 million
Difference	\$3.7 million



OUC Dividend Revenue

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



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Budget Development Calendar

April 28, 2014



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





City of Orlando

Office of Business and Financial Services
Orlando City Hall – Fourth Floor
400 S. Orange Avenue
P.O. Box 4990
Orlando, Florida 32802-4990
407-246-2358