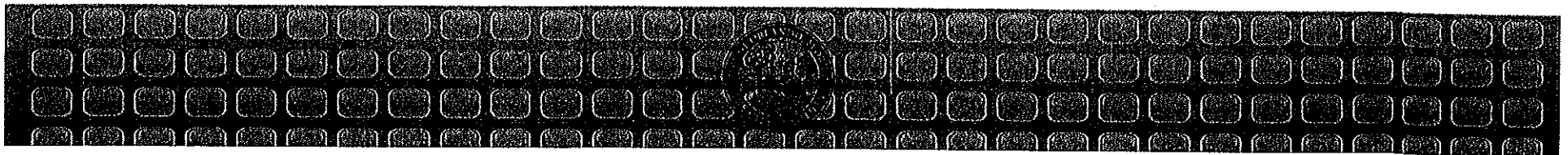


# City of Orlando, Florida

*City Council Workshop / Fiscal Year 2015 Budget*

April 28, 2014

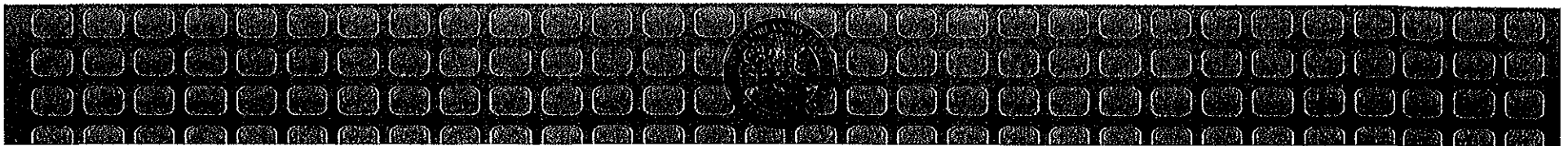


## City Council Workshop / Fiscal Year 2015 Budget

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### 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

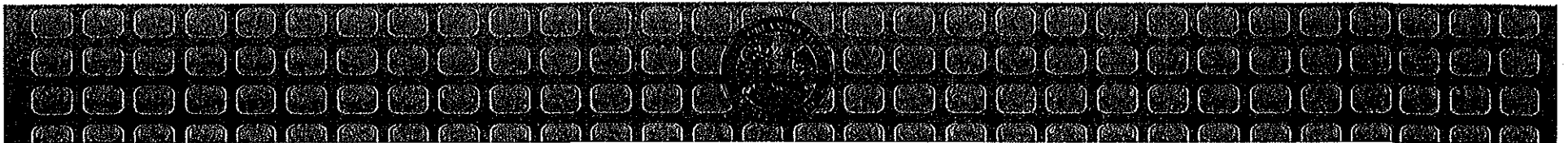


## City Council Workshop / Fiscal Year 2015 Budget

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### Agenda

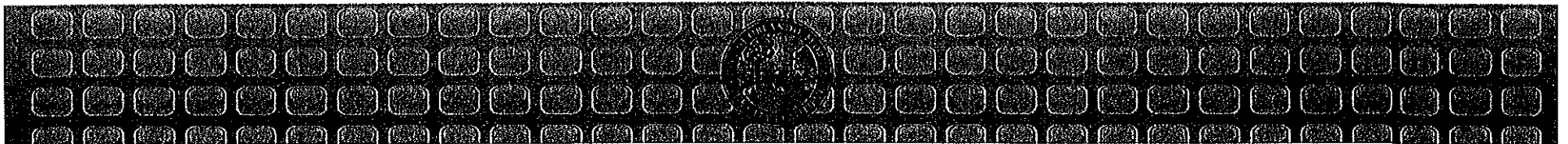
- Revenue Options
- Cost Recovery Opportunities
- Budget Development Calendar



# City Council Workshop / Fiscal Year 2015 Budget

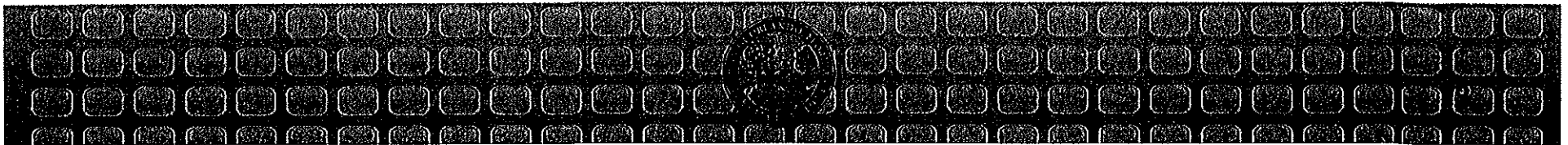
## *Revenue Options*

April 28, 2014



## Background

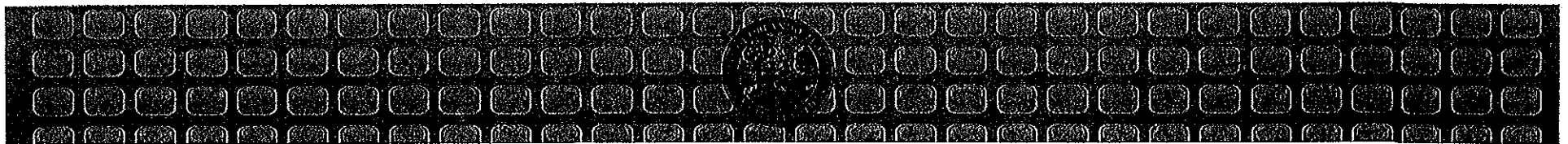
- Three sources of authorization
  - State Constitution
    - Ad Valorem Revenue
  - Home Rule Authority
    - Proprietary Fees
    - Regulatory Fees
    - Special Assessments
  - Authorized by the State Legislature
    - State-imposed fees and taxes shared with local governments
    - Local revenue sources



# City Council Workshop / Fiscal Year 2015 Budget

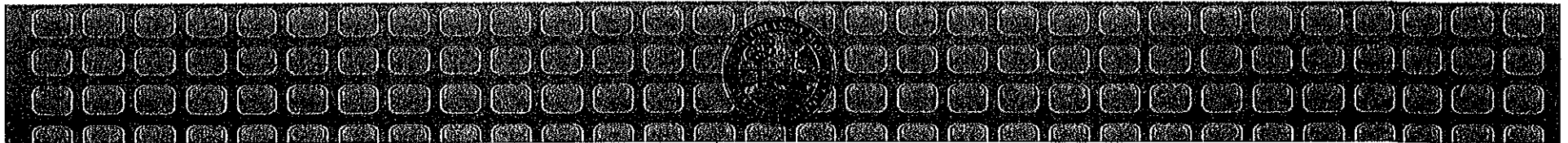
*Revenue Options / State Constitution*

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

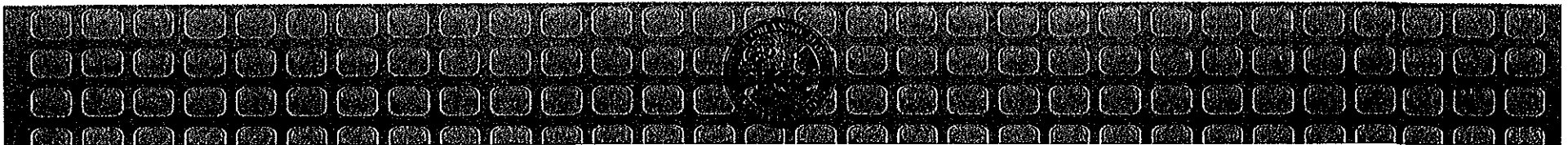


## Revenue Options

### 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

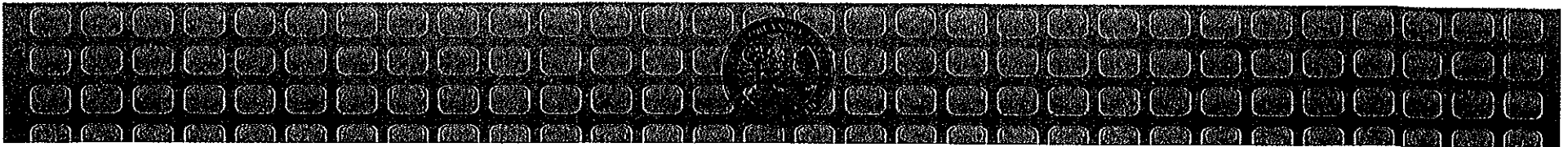
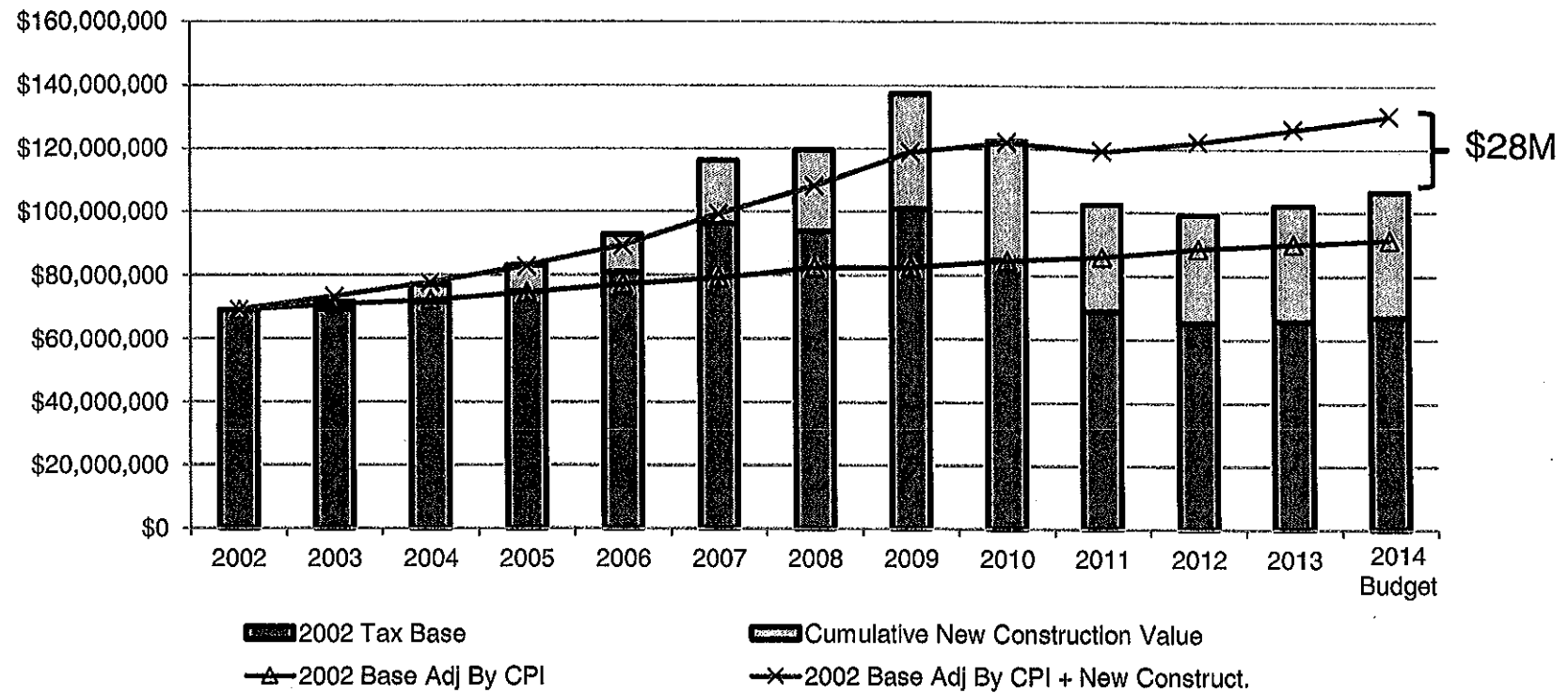
\* Last used in 1980





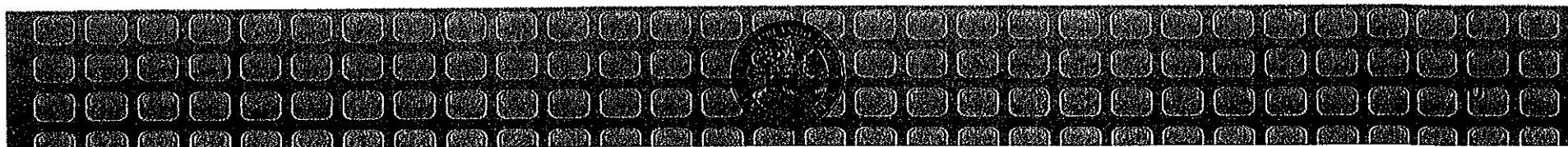
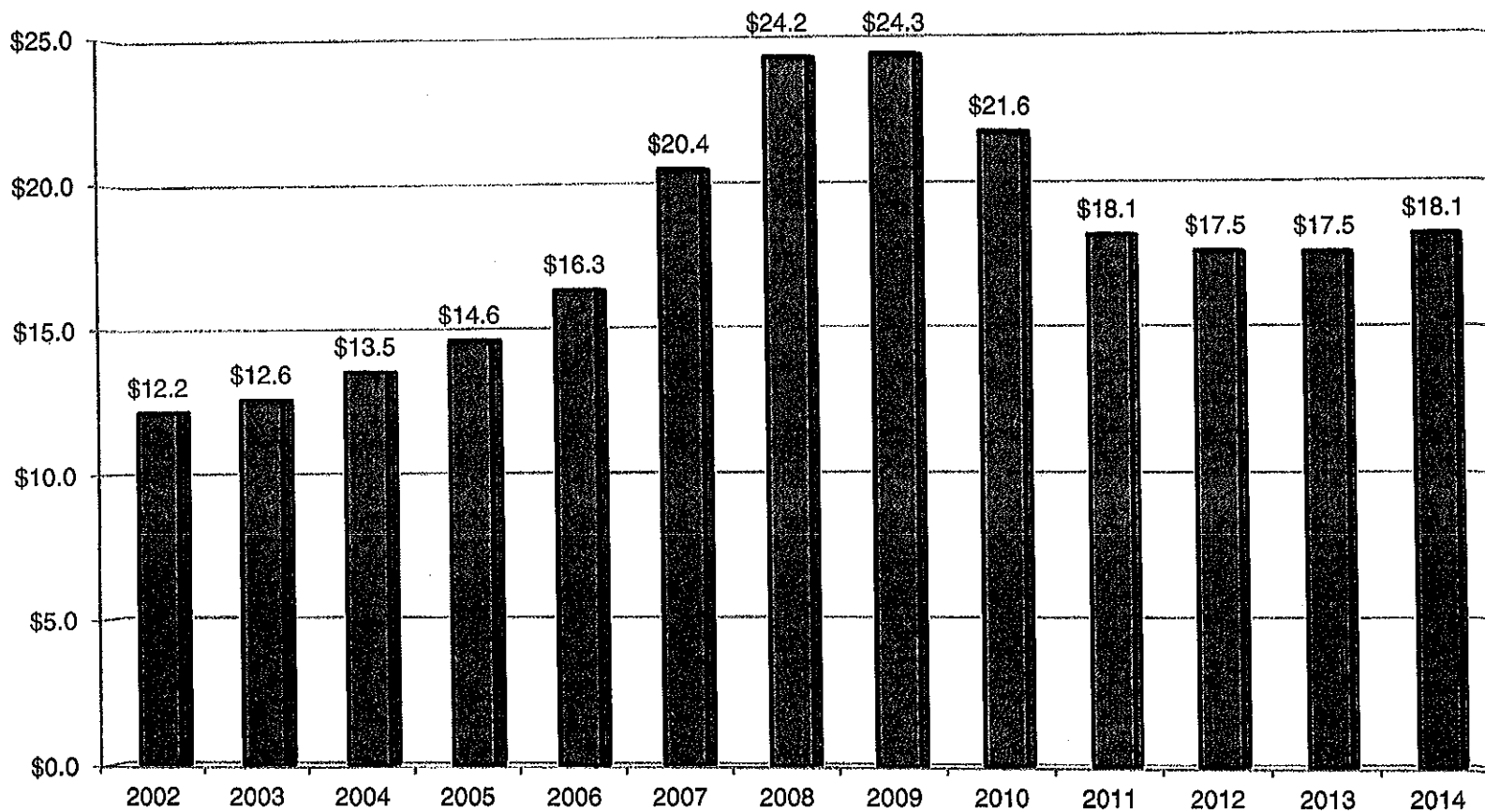
## Property Taxes

Property tax revenue has not kept pace with inflation



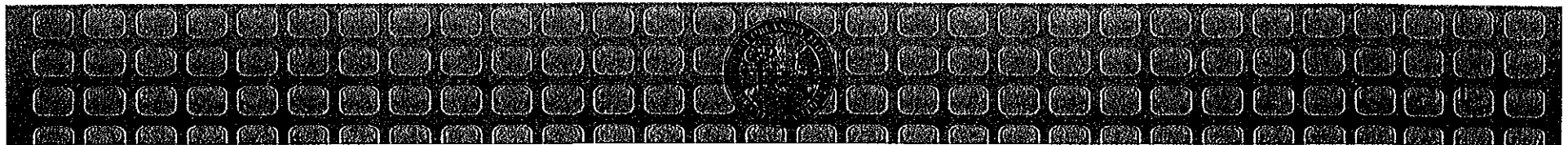
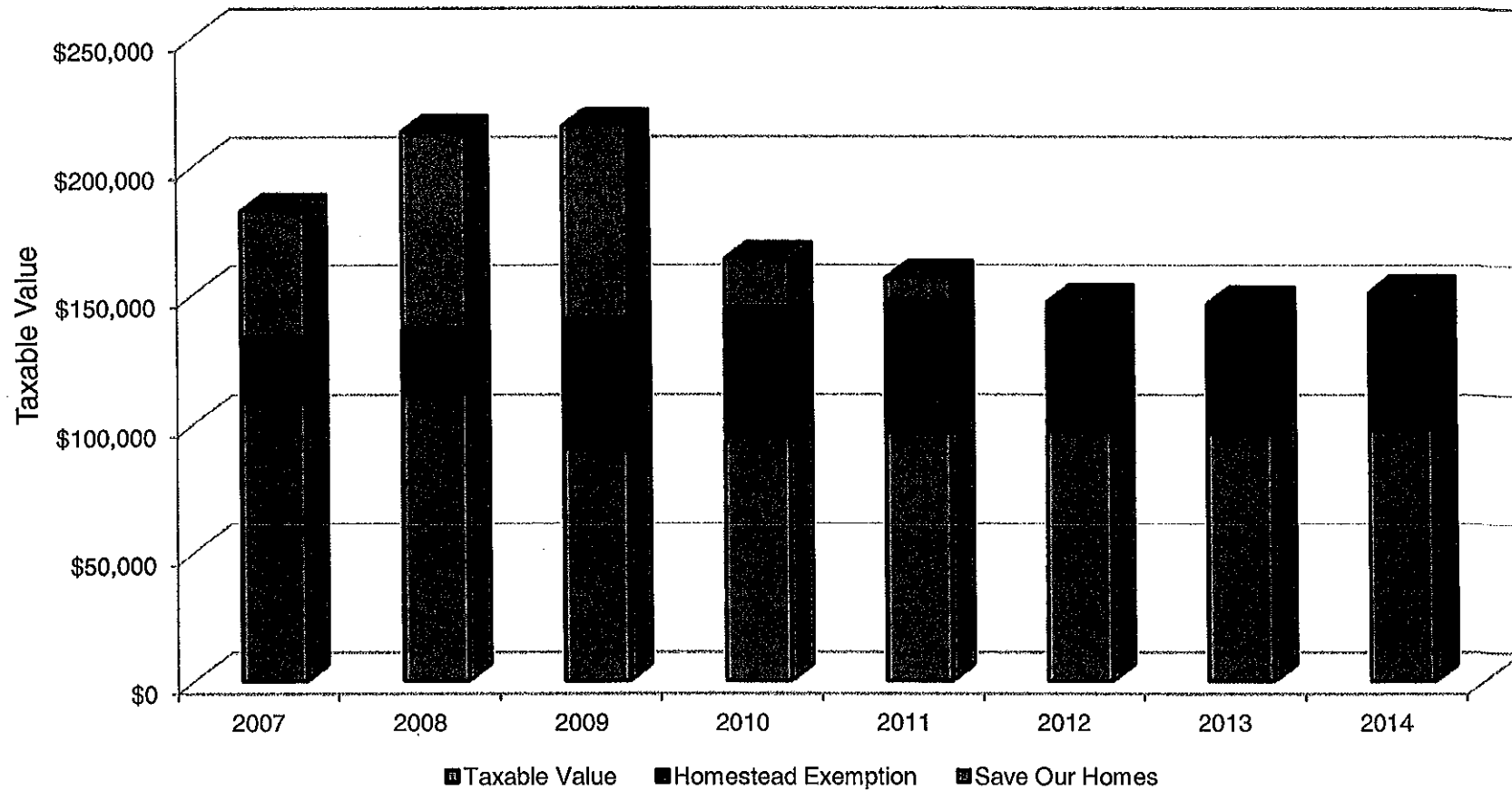
## Revenue Options

### Value of 1 Mill



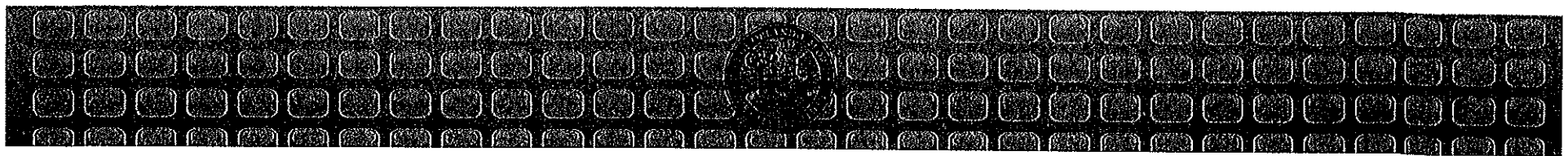
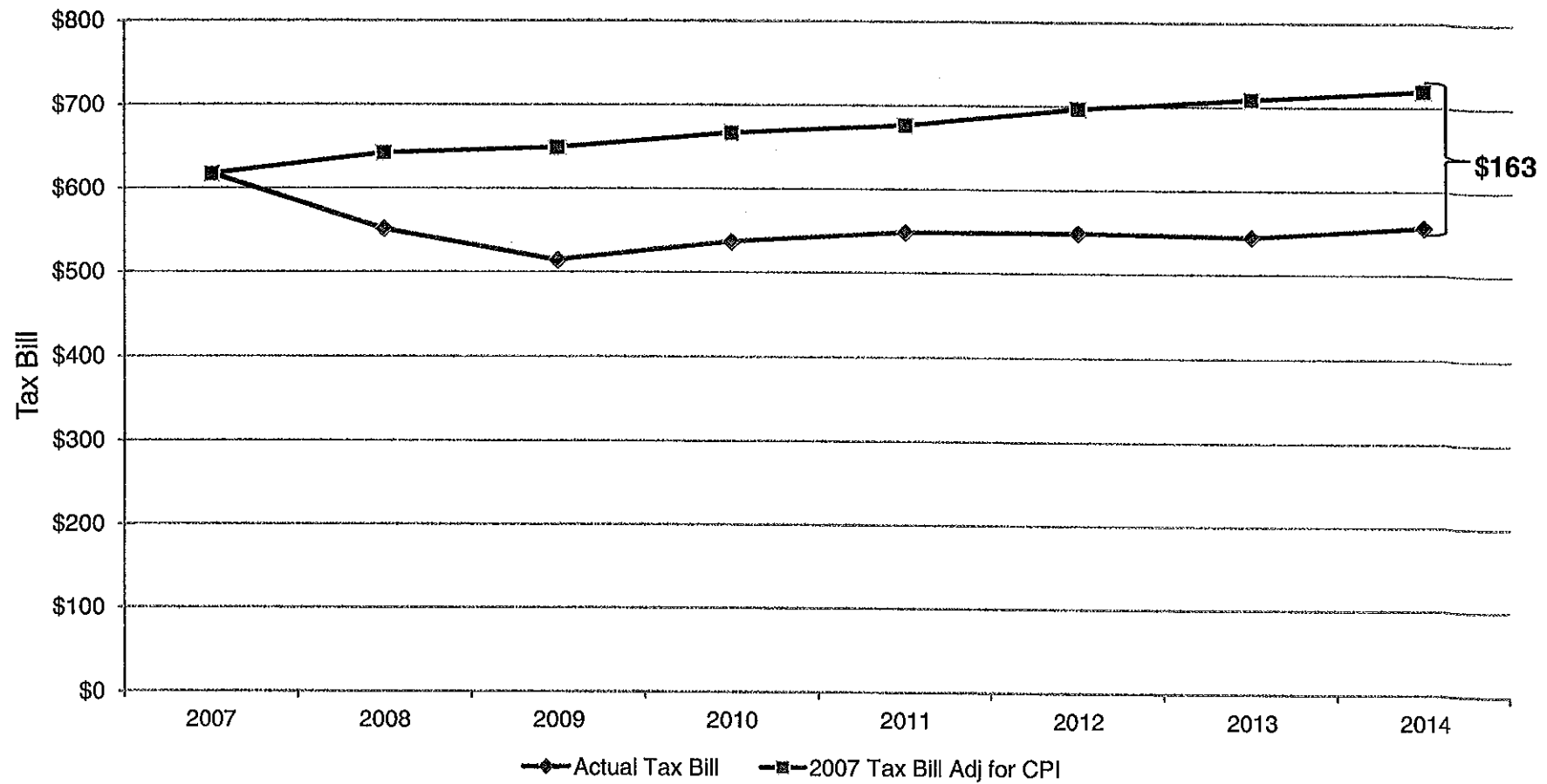
## Revenue Options

### Example of a \$200k Homestead Property



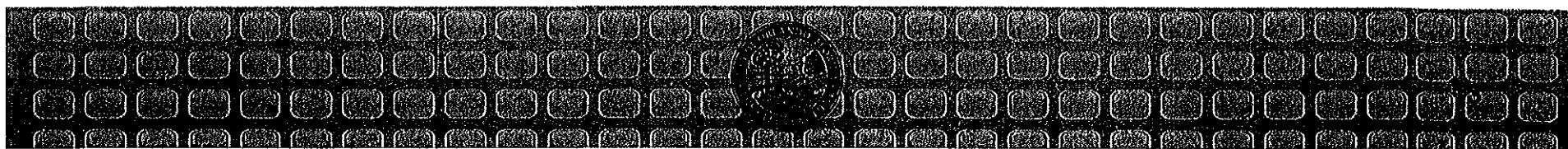
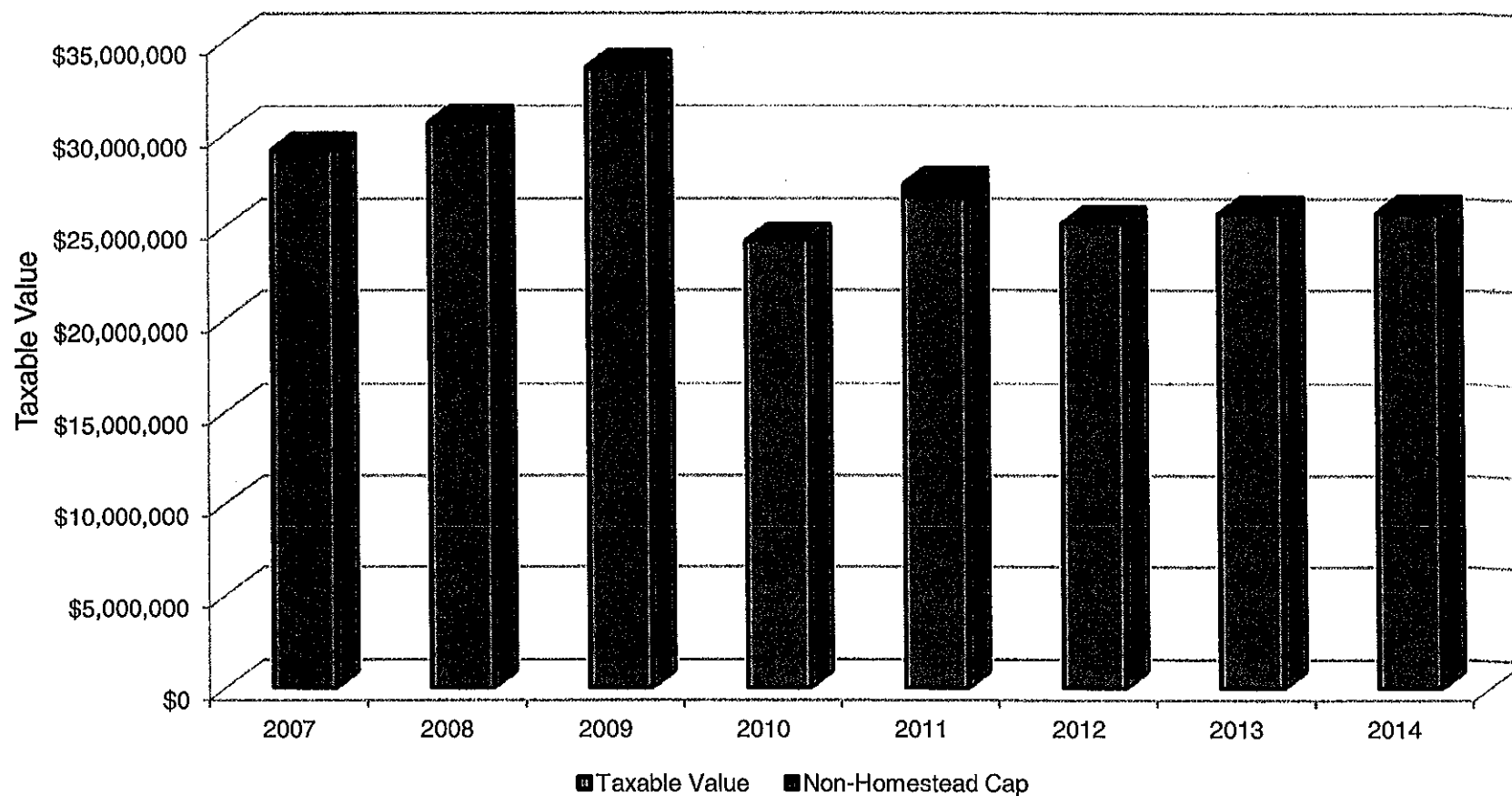
## Revenue Options

### Example of a \$200k Homestead Property



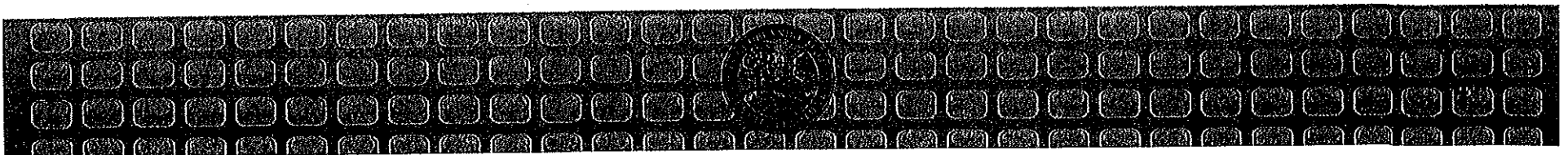
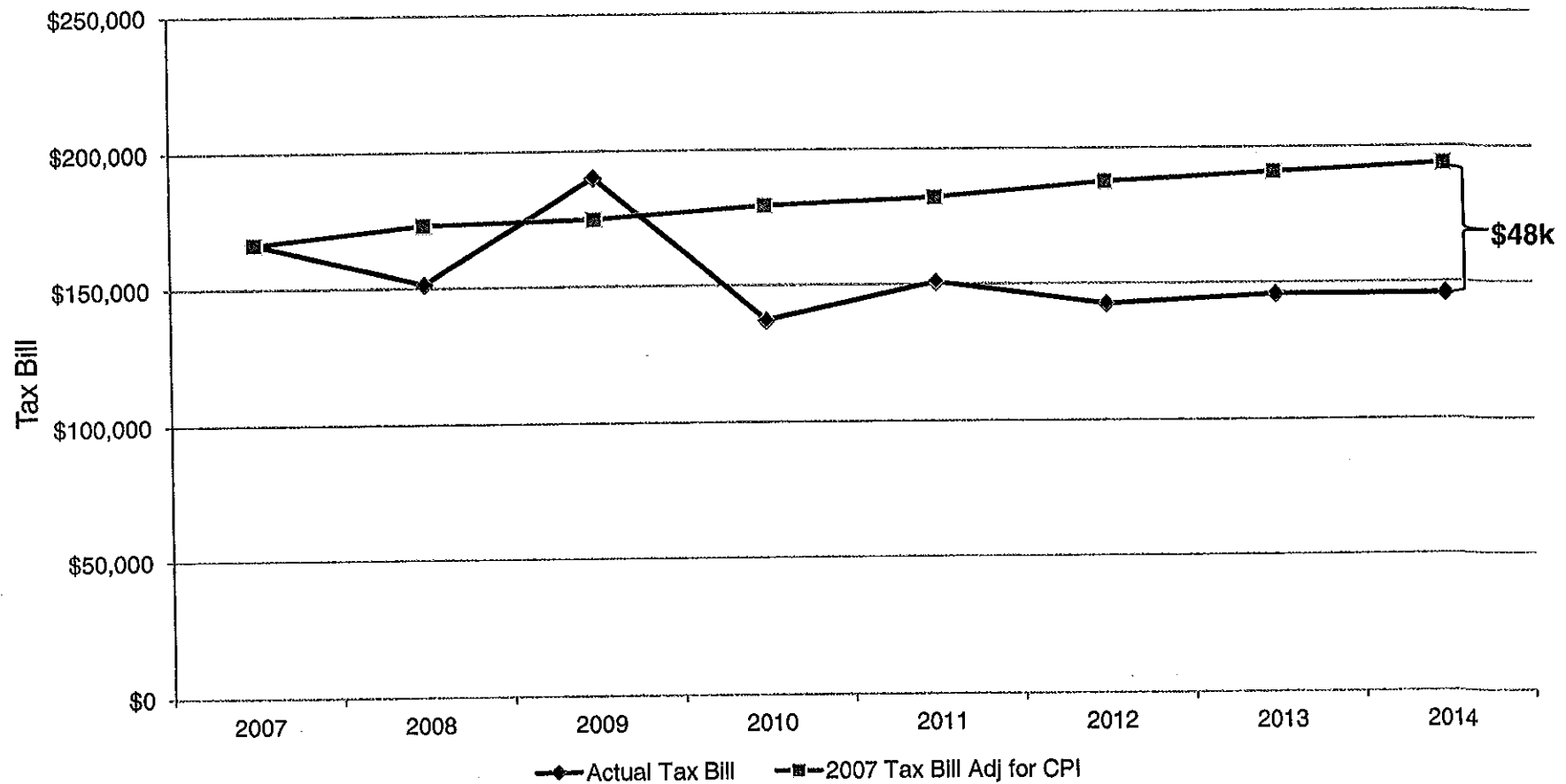
## Revenue Options

### Example of a High Value Commercial Property



## Revenue Options

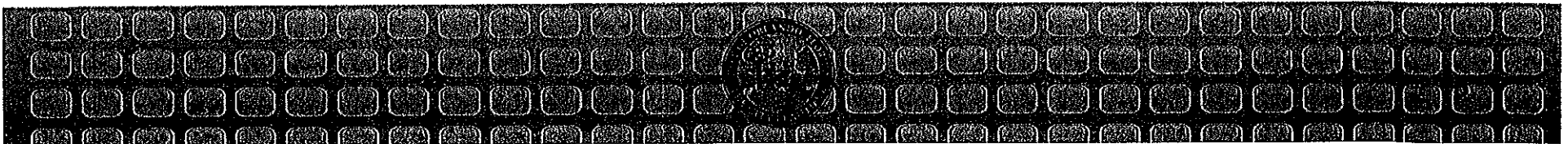
### Example of a High Value Commercial Property



## Millage Rate Changes

- Calendar

- July 28<sup>th</sup> 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

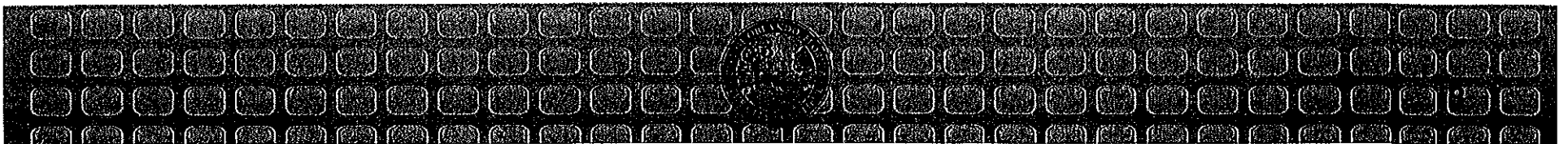
Adjusted rolled back rate with growth for change in per capita income

- 2/3 Majority

10% above the adjusted rolled back rate with growth for change in per capita income

- Unanimous

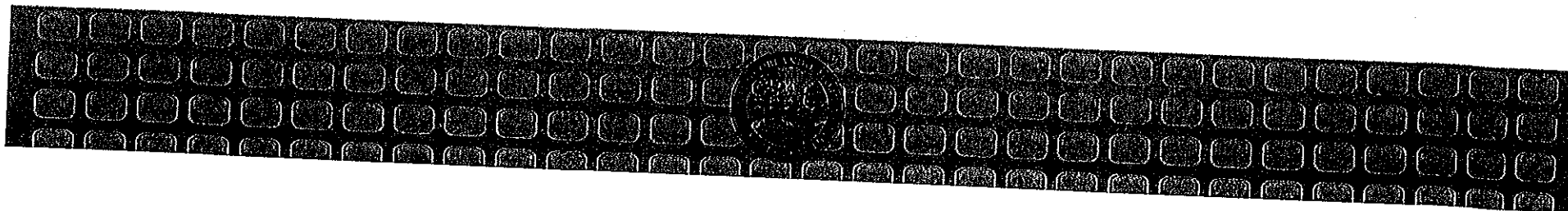
Up to the Constitutional maximum (10 mill)





City Council Workshop / Fiscal Year 2015 Budget  
*Revenue Options / Home Rule Authority*

April 28, 2014

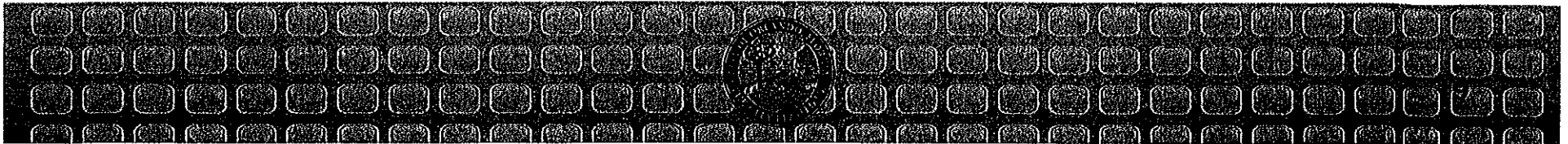


## Regulatory Fees

- 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

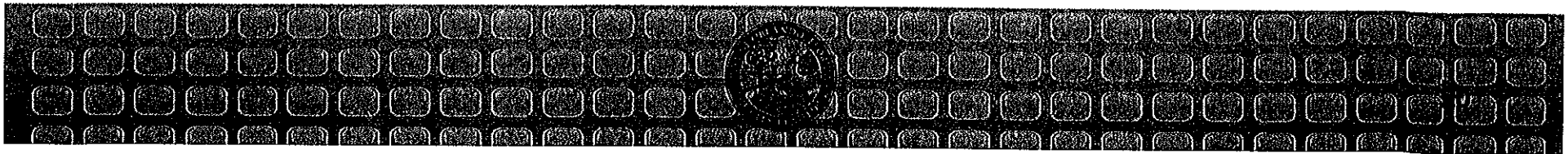
### — Examples

- ▣ Building permits
- ▣ Inspection fees



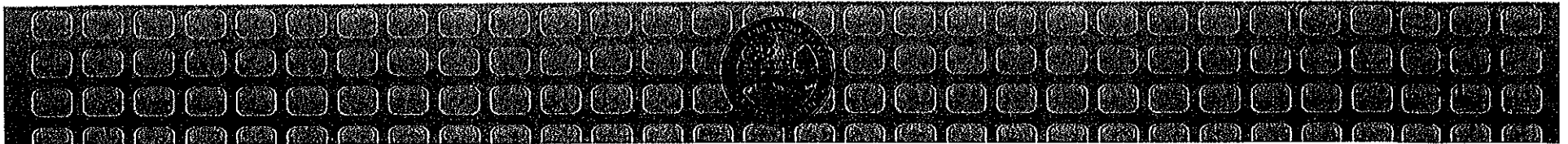
### Special Assessments

- 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

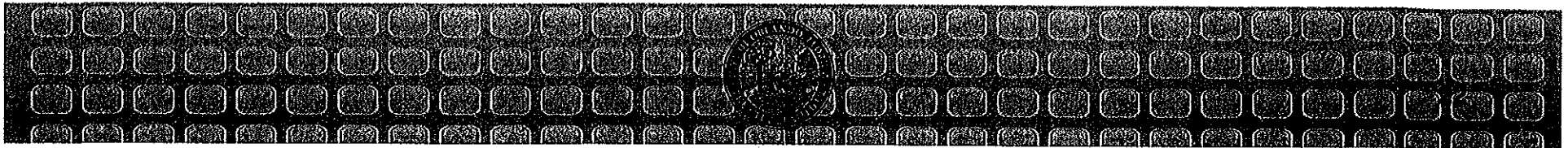
- Examples of improvements and services approved by courts:
  - Beach Renourishment
  - Downtown Redevelopment
  - Garbage Disposal
  - Sewer Improvements
  - Stormwater Management Services
  - Fire Protection
  
- Special assessments are generally collected on the annual ad valorem tax bill and is characterized as a non-ad valorem assessment



## Revenue Options

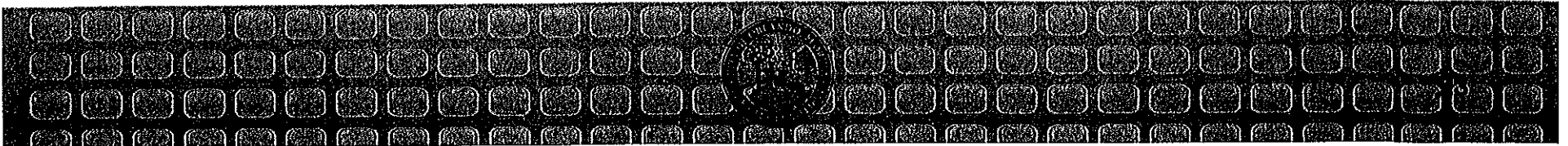
### City Examples

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



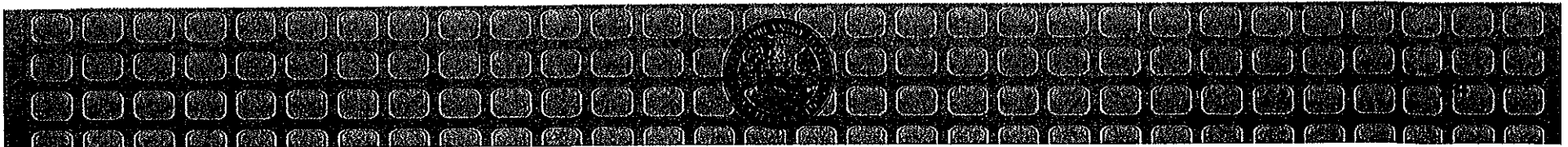
### Fee / Special Assessments Opportunities

- 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



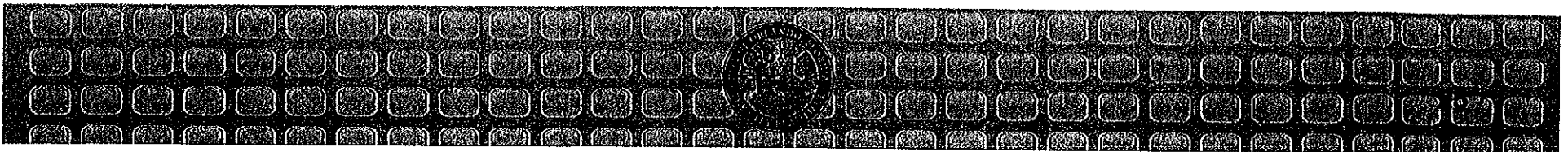
### Fire Special Assessment - Criteria

- 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)



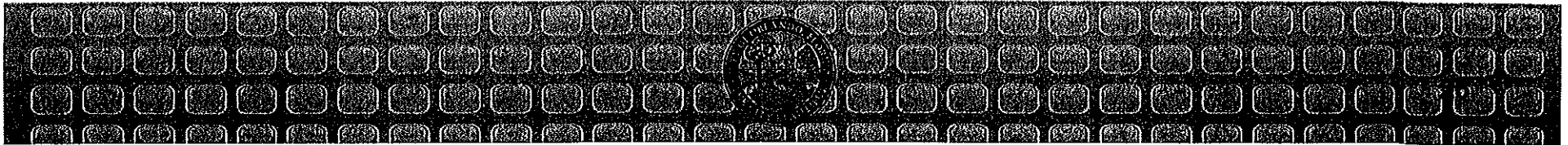


## Revenue Options

### Fire Special Assessment – Recovery Opportunity

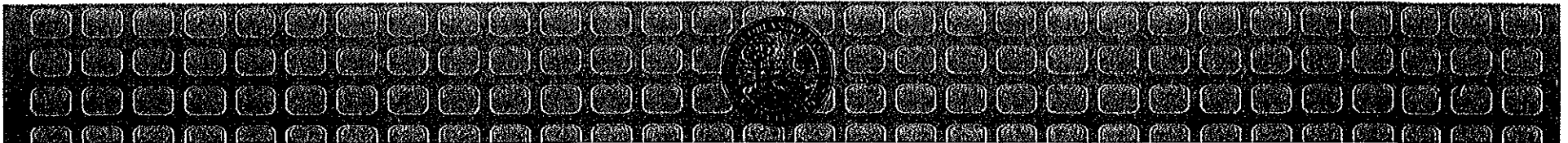
Based on FY2012:

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



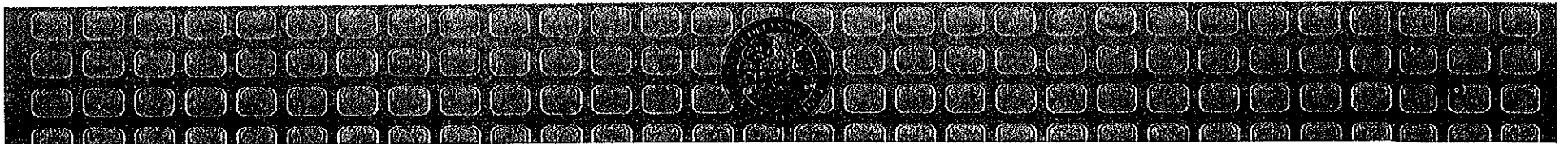
### Fire Special Assessment – Note

- 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

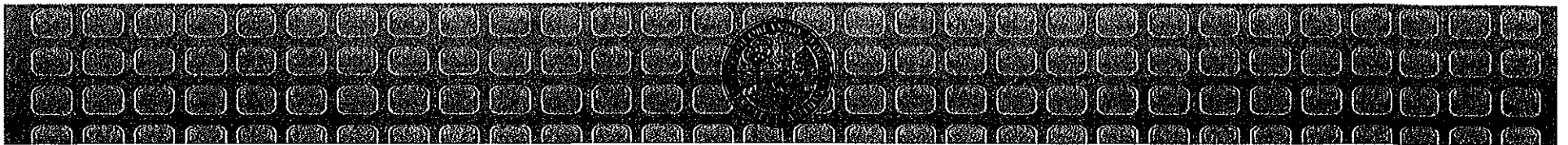
- Cost per call type methodology
- Readiness to serve / value of property methodology
  - Tier 1            Flat amount applied to every covered parcel
  - Tier 2            Rate applied to property value



# City Council Workshop / Fiscal Year 2015 Budget

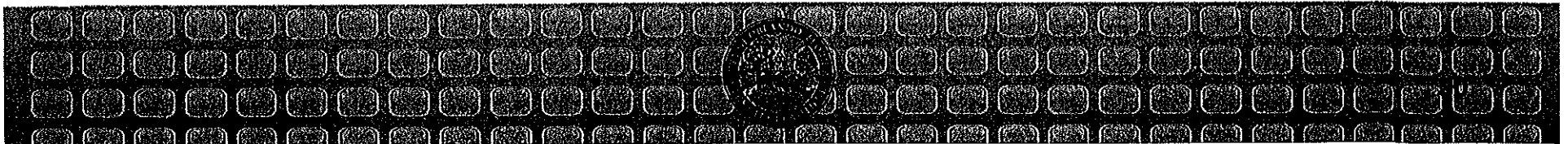
*Revenue Options / Authorized by State Legislature*

April 28, 2014



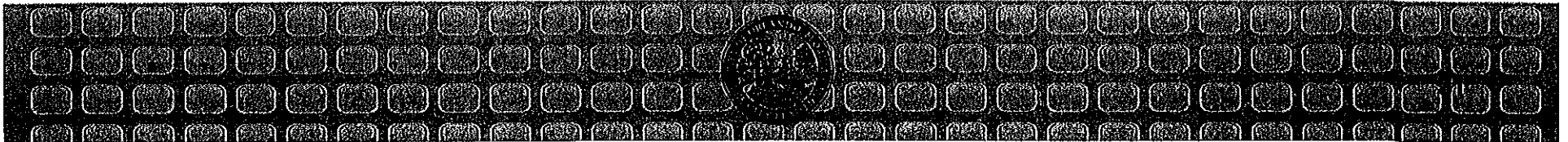
### Communication Services Tax

- 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%



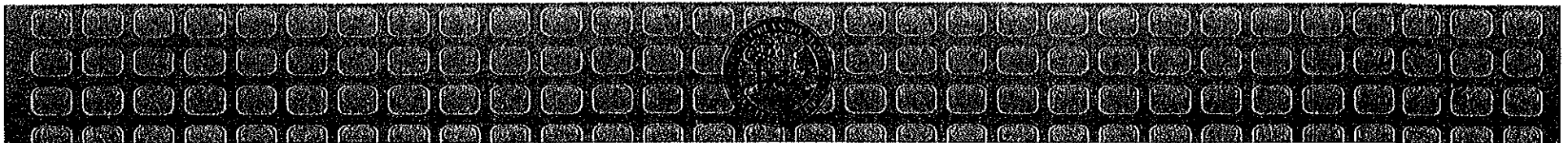
### Local Business Tax

- 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

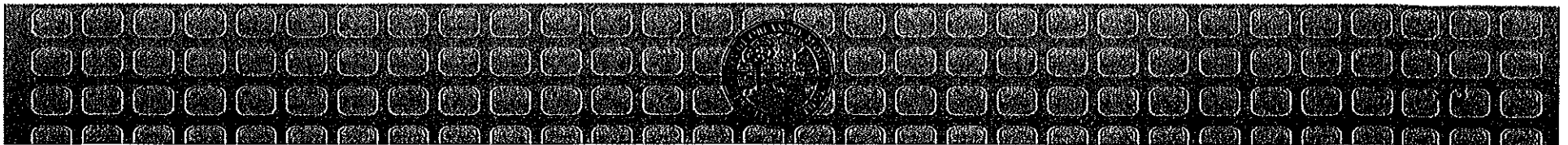
- State law authorizes eight different sales tax surcharges
  - One dedicated to school construction
- Enacted and imposed by the County; municipal governments and school districts may receive all or some of the proceeds depending on the terms of the surcharge being imposed
- Each 1% surcharge represents \$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%



## Revenue Options

### Local Discretionary Sales Surtax

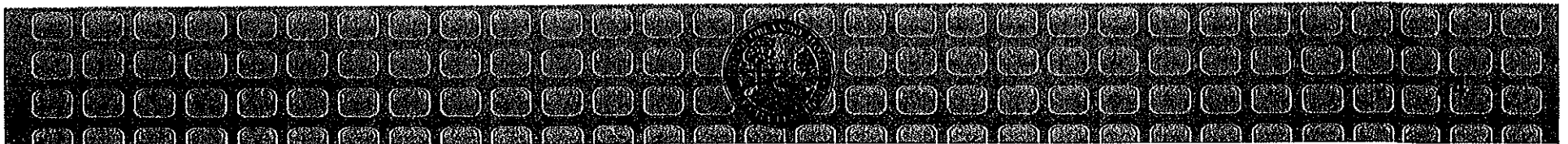
Option	✓ = Available in Orange County (Condition Which Excludes Orange County)
Charter County and Regional Transportation System Surtax	✓
Local Government Infrastructure Surtax	✓
Small County Surcharge	(Population less than 50k)
Indigent Care and Trauma Center Surtax	✓
County Public Hospital Surtax	(Only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





### Local Discretionary Sales Surtax

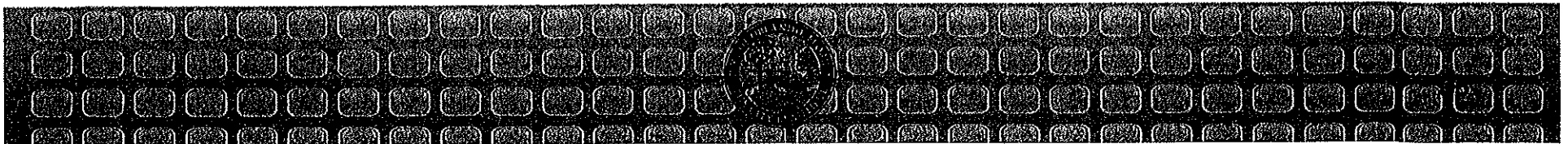
- **Charter County and Regional Transportation System Surtax**
  - Only 3 of 31 eligible counties levy this surcharge
  - Available to home rule charter counties as well as counties that is within or under a local agreement with a regional transportation or transit authority
    - Central Florida Regional 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**

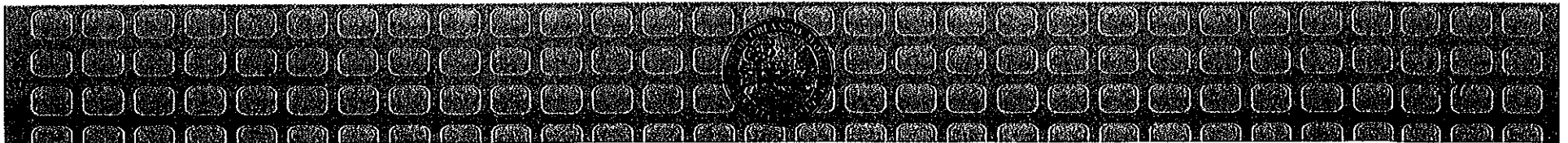
- Currently only Hillsborough County levies this surtax
- Non-consolidated counties with a population greater than 800k may impose a surtax not to exceed .5% for the purpose of funding health care services for qualified residents
- Extraordinary vote of the governing body or voter approval in a countywide 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

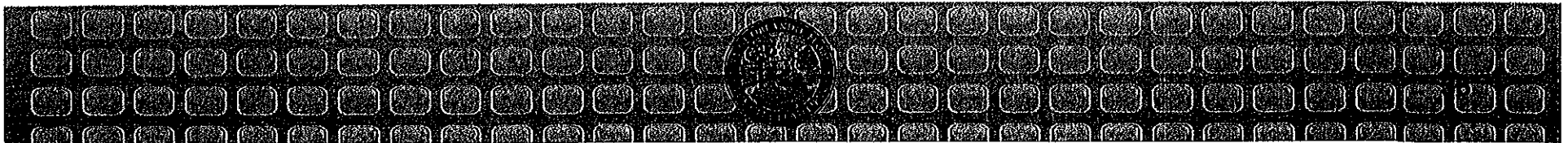
- **Emergency Fire Rescue Services and Facilities Surtax**

- 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



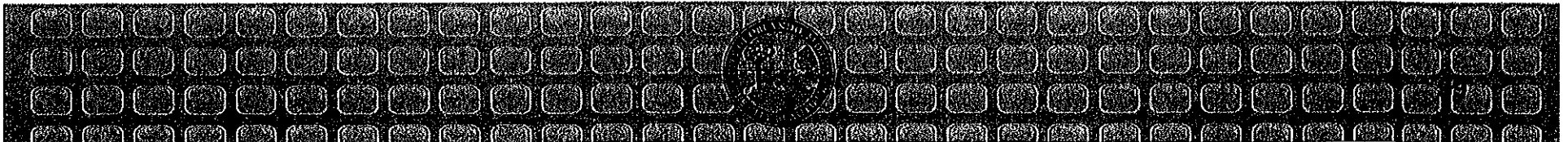
### Municipal Parking Facility Space Surcharge

- 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

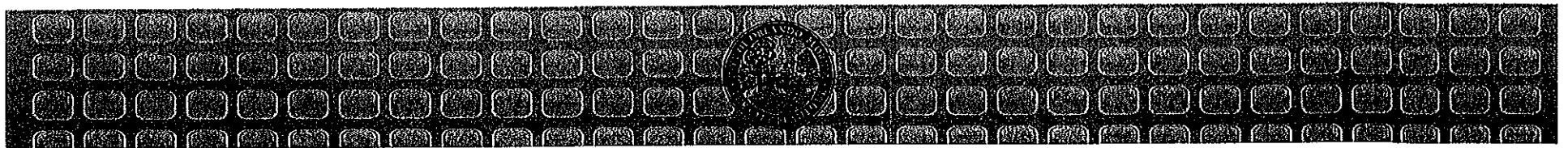
- Use of funds
  - No less than 60% and no more than 80% must be used to reduce ad valorem tax millage, or to reduce or eliminate non-ad valorem assessments
  - No less than 20% and no more than 40% must be used to improve transportation related items, including
    - ▣ Streets and roadways
    - ▣ Sidewalks
    - ▣ Landscape and streetscape beautification in downtown or urban core areas
    - ▣ Transit



# City Council Workshop / Fiscal Year 2015 Budget

## *Cost Recovery Opportunities*

April 28, 2014

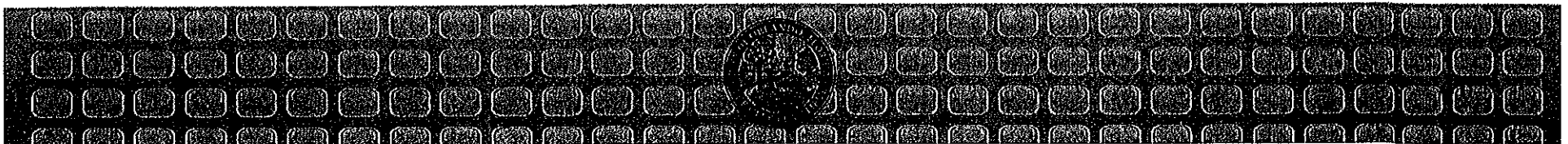


## Cost Recovery Opportunities

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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.



## Cost Recovery Opportunities

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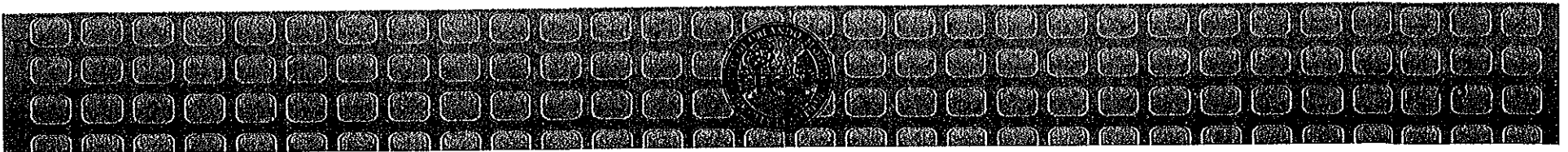
### School Resource Officers

- FY2014/15 Projection

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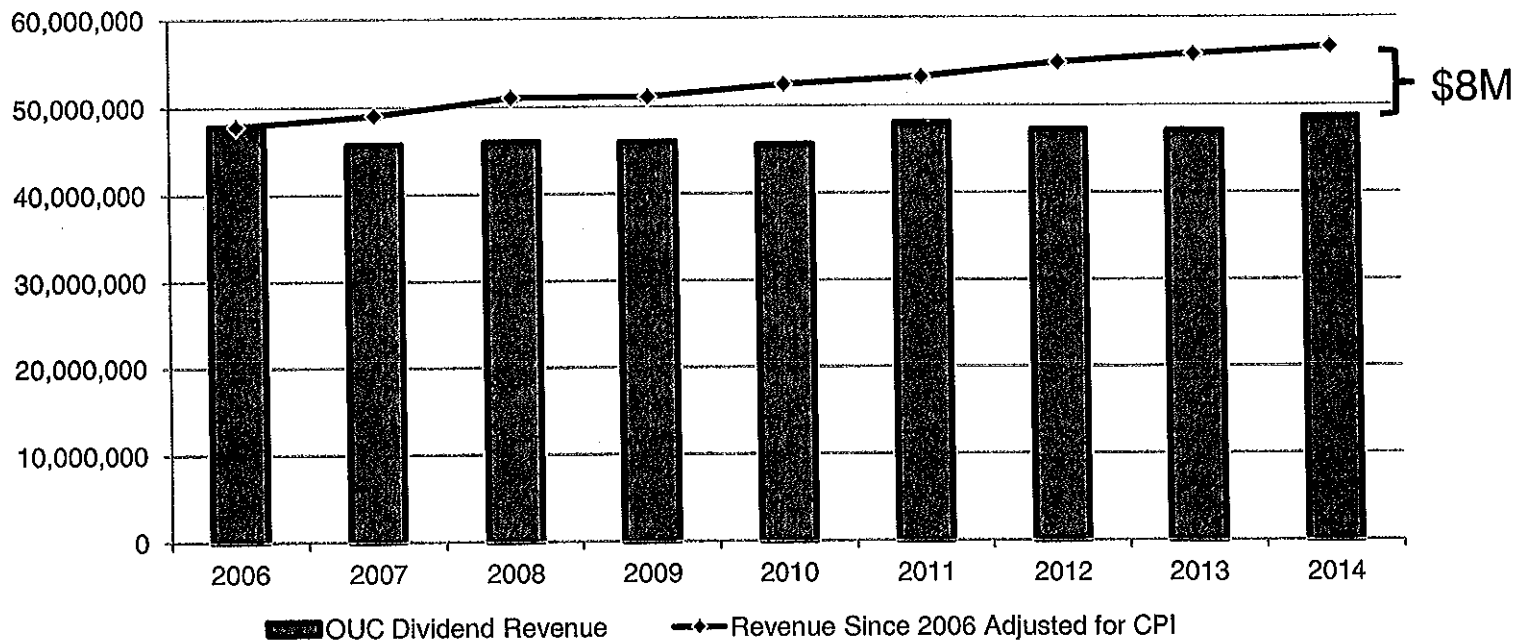
Difference	\$3.7 million
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## Cost Recovery Opportunities

### OUC Dividend Revenue

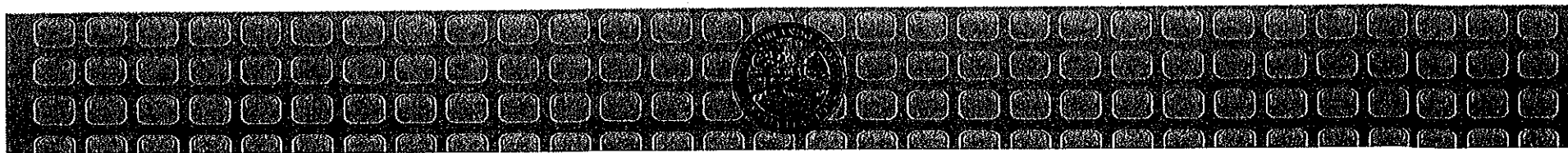
- Since the revised dividend agreement with OUC revenue has not kept pace with CPI



# City Council Workshop / Fiscal Year 2015 Budget

## *Budget Development Calendar*

April 28, 2014

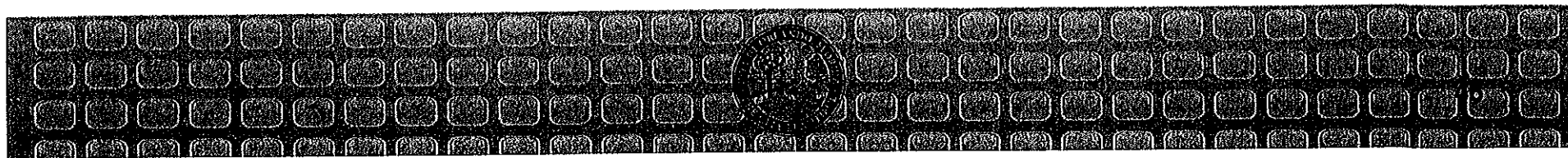


# Budget Development Calendar

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## Key Dates

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





# City of Orlando

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Orlando City Hall – Fourth Floor  
400 S. Orange Avenue  
P.O. Box 4990  
Orlando, Florida 32802-4990  
407-246-2358

