

Revenue Sources – Tax Operating Funds

The tax operating funds include the combined revenues of the general fund; utility tax fund; guaranteed entitlement fund; cable communication fund; local option gas tax fund; stormwater fund; occupational license fund; capital improvement projects fund; community investment tax fund; and the transportation impact fee fund. The major services these funds provide include: public safety, public works, parks and recreation, central government, capital equipment and vehicles, capital improvement projects, debt service, and cable television regulation.

Estimates are based on revenue trends; known changes in rates; property appraiser figures; Florida Department of Revenue’s Office of Research and Analysis estimates; and use of other methods as appropriate. Narratives and tables of major tax operating revenues reflecting actual and estimated collections and percent changes since FY05 are provided below:

General Fund

Taxes and Franchise Fees

Taxes and franchise fees total approximately \$194.0 million, of which property taxes and electric franchise fees are the major revenue sources and account for 99% of all taxes/franchise fees budgeted and 57% of the overall general fund budget.

Property Taxes: The FY07 property tax estimate of \$167.7 million represents an increase of \$28.9 million, or 20.8%, above the FY06 projection of \$138.8 million and includes further adjustments for payment of delinquent taxes (\$0.3 million). FY07 property valuations reflect a sharp increase in new and existing home prices for calendar year 2005. However, this growth is not expected to continue as real estate transactions so far in FY06 have slowed. New construction accounted for \$631 million, a slight decrease from tax year 2005, and represents nearly 14% of the total property valuation increase of \$4.6 billion over last year’s certified taxable values. Initial FY07 ad valorem revenue, \$167.7 million, is based on the following:

- Assessed property valuations of \$26.9 billion;
- Collection of 95% of the tax levy; and
- Millage rate levied at 6.539 mills (1 mill equals \$1 per \$1,000 of assessed value).

	(Millions)			
	FY05	FY06	FY06	FY07
	<u>Actual</u>	<u>Budget</u>	<u>Projection</u>	<u>Budget</u>
Property Taxes	\$123.5	\$139.0	\$138.8	\$167.7
Change from Prior Year	8.9%	12.6%	12.4%	20.8%

Franchise Fees: Franchise fees are levied against electric and gas companies conducting business within the boundaries of Tampa. Rates are applied on a company’s gross monthly revenue at 4.6% for electric and 5% for gas service. FY06 electric franchise fee revenue is projected at \$23.4 million, a 7.8% increase over FY05 actual receipts. This is primarily due to higher electric rates approved by the Public Services Commission in December, 2005 that reflect an increase in fuel adjustment charges passed to consumers. This trend is expected to continue throughout FY07.

	(Millions)			
	FY05	FY06	FY06	FY07
	<u>Actual</u>	<u>Budget</u>	<u>Projection</u>	<u>Budget</u>
Electric Franchise Fees	\$ 21.7	\$ 21.6	\$ 23.4	\$ 24.1
Change from Prior Year	2.4%	<0.5%>	7.8%	3.0%

Licenses and Permits

Generally, licenses are taxes paid by individuals or companies for the right to engage in certain businesses, occupations and professions. Permits are usually one-time application fees to help offset the cost of providing city services involving zoning or regulated trades where inspections or reviews are required by state statute or local ordinance to ensure that the public’s safety and interests are protected. Typical permits and fees charged are those for construction activities related to building, electrical, mechanical, and plumbing work as well as requests for new zoning applications or changes.

Building permits and fees make up almost the entire \$5.8 million budgeted in FY07 for license and permit revenues. FY06 revenues are projected to decrease slightly from FY05 due to a leveling off of large construction projects.

	(Millions)			
	FY05	FY06	FY06	FY07
	<u>Actual</u>	<u>Budget</u>	<u>Projection</u>	<u>Budget</u>
Building Permits	\$ 6.6	\$ 5.4	\$ 5.9	\$ 5.8
Change from Prior Year	32.0%	<18.2%>	<10.6%>	<1.7%>

Occupational license funds of \$10.0 million are directed to a special revenue fund for debt purposes, with \$5.9 million being returned to the general fund in the form of a transfer (see General Fund – Transfers and Other Financing Sources section and Occupational License Tax Revenue Fund section).

Intergovernmental Revenues

Intergovernmental revenues represent various taxes that are authorized and collected by the state and shared with local governments. This category also includes funds from:

federal and state grants; agreements with other local governments; and payment in lieu of franchise fees (PILOF) and taxes (PILOT) from Tampa’s enterprise funds for compensation of various tax supported services similar to payments made by private sector entities. FY07 sales tax and state revenue sharing budgeted revenues are based primarily on estimates provided by the Florida Department of Revenue’s Office of Research and Analysis.

Sales Taxes: State legislation allows local governments to share revenues equal to 1/2 cent of the six cents of sales taxes collected in their counties via the local government half-cent sales tax program. The FY07 sales tax estimate is \$31.7 million representing a 2.6% increase over the FY06 projection of \$30.9 million and 4.3% over budget appropriations of \$30.4 million. State estimates reflect only a 2.6% modest growth in FY07 due to softening of the housing market; trends indicating less home equity refinancing and its negative impact on durable goods purchases; and less taxable sales as one-time hurricane reconstruction expenditures has already occurred.

	(Millions)			
	FY05 Actual	FY06 Budget	FY06 Projection	FY07 Budget
Sales Taxes	\$ 29.4	\$ 30.4	\$ 30.9	\$ 31.7
Change from Prior Year	7.3%	3.4%	5.1%	2.6%

State Revenue Sharing: These revenues represent distributions from the state’s municipal revenue sharing (MRS) trust fund. The city’s estimated FY07 MRS share is approximately \$12.6 million of which \$7.7 million is budgeted in the general fund after \$4.9 million is deposited into the guaranteed entitlement fund to meet bond requirements.

	(Millions)			
	FY05 Actual	FY06 Budget	FY06 Projection	FY07 Budget
State Revenue Sharing	\$ 8.1	\$ 7.1	\$ 7.4	\$ 7.7
Change from Prior Year	92.9%	<12.3%>	<8.6%>	4.1%

Payment in Lieu of Franchise Fees (PILOF)/Taxes (PILOT): PILOT revenues are based on current millage times 75% of prior year total enterprise funds’ capitalized plant and property fixed assets. PILOF revenues are based on 4.2% of prior year’s total enterprise funds’ operating revenues. Enterprise fund payments in lieu of franchise fees and property taxes reflect an overall increase of \$0.4 million or \$2.8%. This is primarily due to an increase in FY05 water department capital asset valuation.

	(Millions)			
	FY05 Actual	FY06 Budget	FY06 Projection	FY07 Budget
PILOF/PILOT	\$ 13.7	\$ 14.5	\$ 14.5	\$ 14.9
Change from Prior Year	0.7%	5.8%	5.8%	2.8%

Charges for Services

Approximately \$20.4 million is budgeted in FY07 for various services provided by general fund departments. Of this, public safety services (\$14.3 million) account for 59% of total charges for services revenue. Types of public safety services provided include \$3.3 million for city-wide emergency medical service (EMS) coverage, \$3.5 million for fire protection/EMS services at Tampa International Airport and \$5.5 million for security services by off-duty police officers. Charges relating to use of the Tampa Convention Center account for another \$6.1 million for FY07. FY06 projected and FY07 revenues are based on a combination of FY07 budgeted expenditures (for airport fire/EMS coverage and off-duty security services) and department estimates.

	(Millions)			
	FY05 Actual	FY06 Budget	FY06 Projection	FY07 Budget
Charges for Services				
Police	\$ 6.6	\$ 6.9	\$ 6.9	\$ 6.7
Fire Rescue	7.0	7.2	7.5	7.6
Convention Center	7.4	5.1	6.6	6.1
Total	\$ 21.0	\$ 19.2	\$ 21.0	\$ 20.4
Changes from Prior Year	7.1%	<8.6%>	0.0%	<2.9%>

Fines and Forfeitures

Overall, \$2.5 million is budgeted for FY07 representing fines and penalty revenues received arising from the commission of statutory offenses within Tampa municipal limits; code enforcement penalties; and violations of other local ordinances. Of this, funds from civil penalties and traffic infractions are \$1.7 million, accounting for 68% of total fines and forfeitures. The FY06 traffic violation revenue projection reflects a 14% increase in traffic citations issued. This trend is expected to continue for FY07.

	(Millions)			
	FY05 Actual	FY06 Budget	FY06 Projection	FY07 Budget
Civil/Traffic Fines	\$ 1.8	\$ 1.5	\$ 1.7	\$ 1.7
Change from Prior Year	<41.9%>	<16.7%>	<5.6%>	0.0%

Interest Earnings

This is primarily interest earned on the general fund’s proportionate share of the city’s overall pooled cash. Higher FY06 projections represent cumulative positive effects on fund balance resulting from hurricane expenditure reimbursements and interest rate increases.

	(Millions)			
	FY05 Actual	FY06 Budget	FY06 Projection	FY07 Budget
Interest Earnings	\$ 3.6	\$ 3.5	\$ 4.6	\$ 4.6
Change from Prior Year	<18.2%>	<2.8%>	27.8%	0.0%

Transfers and Other Financing Sources

Main transfers to the general fund in FY07 include the following:

- \$26.2 million from the utility tax fund to compensate the general fund for state revenue sharing funds used to finance the Tampa Bay Performing Arts Center; an equitable share of communications services taxes that replace telecommunication franchise fees; and to support general operations.
- \$4.0 million from the occupational license tax fund representing funds in excess of debt service requirements for the Florida Aquarium.
- \$1.3 million from various trust and agency and special purpose accounts.

Utility Tax Fund

The major revenue sources for the utility tax fund are the communications services tax and electric, water and gas utility taxes. Utility tax rates for electric, water and gas services are 10%. Telecommunication and cable franchise fees and utility taxes that were collected locally have been replaced by a communications services tax after the passage of the Communications Services Tax Simplification Law in 2001. Communications services provided to customers within the city limits are taxed at 5.22% with proceeds collected and distributed by the Florida Department of Revenue.

Communications Services Tax

Communications services taxes are budgeted at \$27.0 million in FY07 and are based on estimates provided by the Florida Department of Revenue’s Office of Research and Analysis. FY06 receipts reflect a 3.2% decrease from FY05 and will decline 2.2% in FY07. Changes due to 2004 federal legislation adopting Internet Tax Non Discrimination Act exempting direct subscriber lines (DSL) from taxation and 2005 state legislation are still affecting the telecommunications industry. Portions of this tax are transferred to the general fund (\$1.3 million) and cable communication fund (\$2.2 million) to replace franchise fee revenues previously collected under the old tax structure.

	(Millions)			
	FY05 Actual	FY06 Budget	FY06 Projection	FY07 Budget
Com. Services Taxes	\$ 28.5	\$ 26.4	\$ 27.6	\$ 27.0
Change from Prior Year	2.5%	<7.4%>	<3.2%>	<2.2%>

Electric Utility Tax

Electric utility taxes are expected to increase in FY07 by approximately 0.8% over the FY06 projection of \$25.9 million. Estimates are based on trend analysis of historical

collections over the last three years and power company estimates.

	(Millions)			
	FY05 Actual	FY06 Budget	FY06 Projection	FY07 Budget
Electric Utility Taxes	\$ 26.4	\$ 26.3	\$ 25.9	\$ 26.1
Change from Prior Year	2.3%	<0.4%>	<1.9%>	0.8%

Water Utility Tax

FY06 water utility taxes are projected to exceed appropriations by \$0.3 million with little growth anticipated for FY07. Projections are based on trend analysis of collections over the last twelve months and assume water demand to remain relatively constant.

	(Millions)			
	FY05 Actual	FY06 Budget	FY06 Projection	FY07 Budget
Water Utility Taxes	\$ 3.0	\$ 3.0	\$ 3.3	\$ 3.4
Change from Prior Year	0.0%	0.0%	10.0%	3.0%

Guaranteed Entitlement State Revenue Sharing Fund

State shared revenues based on state estimates will total approximately \$12.6 million for FY07. Of this, \$4.9 million is budgeted in the guaranteed entitlement state revenue sharing fund for Performing Arts Center debt service requirements with the remaining proceeds, \$7.7 million, budgeted in the general fund (see General Fund – State Revenue Sharing section).

Cable Communication Fund

Other financing sources constitute \$3.3 million, or 92%, of cable communication fund’s total budgeted revenues of \$3.6 million for FY07. A transfer from the utility tax fund of \$2.3 million represents the fund’s proportionate 13.5% share of communications services taxes (see Utility Tax Fund – Communications Services Tax). This replaces cable revenues previously collected as franchise fees under the old tax rate structure. Interest earnings of \$0.3 million, transfers from cable franchise fee fund balance of \$0.8 million and the cable fund balance of \$0.2 million make up the balance of revenues and other financing sources budgeted for FY07.

Local Option Gas Tax Revenue Fund

Local option gas taxes of 6 cents per gallon are imposed on the sale of motor and diesel fuel within Hillsborough County. Taxes are collected by the state and deposited in their Local Option Fuel Tax Trust Fund. Individual county tax receipts are divided among county and local municipal entities via a population based distribution formula. FY07

gas tax collections are expected to increase to \$11.0 million. Total revenues are \$11.1 million and are comprised of gas taxes (\$11.0 million) and interest earnings (\$0.1 million). Proceeds from this tax are used to fund various transportation projects, \$8.3 million, and debt service requirements of \$2.7 million.

	(Millions)			
	FY05 Actual	FY06 Budget	FY06 Projection	FY07 Budget
Local Option Gas Tax	\$ 11.3	\$ 7.9	\$ 7.9	\$ 11.0
Change from Prior Year	3.7%	<30.1%>	<30.1%>	39.2%

Stormwater Fund

FY07 Stormwater program revenue is \$17.8 million with transfers from the general fund (\$3.0 million) and utility tax fund (\$7.9 million), comprising 61% of total revenue. The remaining \$6.9 is generated via utility fees and assessments. Stormwater assessment revenue for FY06 is budgeted at \$5.8 million and reflects an assessment fee rate change from \$12 to \$36 dollars in FY06. The general fund portion will support personnel and operating costs, while the utility tax transfer will fund FY07 capital improvement construction projects. A portion of assessment fees collections are budgeted for anticipated debt service for a proposed bond issuance/commercial paper in FY07 to fund several large-scale construction projects.

Occupational License Tax Revenue Fund

Occupational license revenues are taxes paid by individuals or businesses for the right to engage in certain trades, professions and occupations. Florida Statute 205.0535 governing local occupational license tax reclassification and rate structure revisions allows municipalities to review and adjust their business license fee structure every two years. Ordinance 2006-141, enacted June 15, 2006, repealed Section 2. of Ordinance 2004-161 which called for the expiration of the FY05/FY06 five percent license fee increase thereby maintaining the current rate structure. FY07 budgeted revenues total \$10.0 million. These funds are obligated to pay for Florida Aquarium debt service requirements with the remainder transferred to the general fund for general operations (see General Fund – Licenses and Permits and General Fund – Transfers and Other Financing Sources sections).

	(Millions)			
	FY05 Actual	FY06 Budget	FY06 Projection	FY07 Budget
Occupational Licenses	\$ 9.9	\$ 10.0	\$ 10.0	\$ 10.0
Change from Prior Year	6.5%	1.0%	1.0%	0.0%

Utility Tax Capital Improvement Projects Fund

Other financing sources constitute nearly all of the utility tax capital improvement projects fund's total revenues of \$6.4 million. City sources providing funds include utility tax capital fund, \$9.1 million, cable communication fund, \$0.8 million, and tourist development taxes, \$0.7 million. Major projects funded include: downtown central business core projects; police district III headquarters; seawall improvements; various park and recreation playground and center improvements; various building improvements and traffic signage projects; and relocating the information technology office.

Community Investment Tax (CIT) Fund

Major revenue consists of a thirty-year 1/2 cent local option sales tax that was approved by county-wide referendum in 1996. FY07 is the first year of the third five-year period of the community investment tax. Community investment tax revenues in FY07 are \$17.5 million and reflect a 24.1% increase from FY06 estimated collections of \$14.1 million (see the General Fund – Sales Taxes section for current and future forecast discussion). Budgeted uses for CIT programs in FY07 are capital improvement projects (\$7.4 million), vehicle replacement (\$4.6 million) and debt service (\$5.4 million).

	(Millions)			
	FY05 Actual	FY06 Budget	FY06 Projection	FY07 Budget
CIT	\$ 14.2	\$ 14.2	\$ 14.1	\$ 17.5
Change from Prior Year	7.6%	0.0%	<0.7%>	24.1%

Transportation Impact Fee Construction Fund

Ordinance No. 9362A, passed in 1986, imposes impact fees on land development in the city. Revenues are used to provide for roads and related facilities necessitated by new development. Revenues will vary annually dependent upon approved development projects. For FY07, \$5.6 million of revenue is budgeted to support various transportation projects. Major projects include I-75 at West Meadows Bridge construction (\$3.6 million) and 40th Street: Hillsborough Avenue to Busch Boulevard segment roadway improvements (\$0.8 million).