

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 \$194.4 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 58% of the overall general fund budget.

Property Taxes: Though assessed property valuations used for developing the FY08 budget rose nearly 10% over FY07, property tax reform laws enacted by the state legislature required local governments to reduce millage rates. This resulted in a millage rate of 5.7326 mills, down 10.5% from current year millage rate of 6.408 mills and represents loss of \$2.7 million, or <1.6%>, from the FY07 budget. New construction is \$803 million, representing almost 30% of the total \$2.68 billion property valuation increase over FY07, softening the impact of the property tax reform. FY08 ad valorem revenue, \$161.6 million, is based on the following:

- Assessed property valuations of \$29.6 billion;
- Collection of 95% of the tax levy; and
- Millage rate levied at 5.7326 mills (1 mill equals \$1 per \$1,000 of assessed value).

	(Millions)			
	FY06 ACTUAL	FY07 BUDGET	FY07 PROJECTION	FY08 BUDGET
Property Taxes	\$ 141.0	\$ 164.3	\$ 164.3	\$ 161.6
Change from Prior Year	14.2%	16.5%	16.5%	<1.6%>

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. FY07 electric franchise fee revenue is projected at \$26.2 million, an 8.3% increase over FY06 actual receipts. This is primarily due to higher electric rates approved by the Public Services Commission in December 2006 that reflect an increase in fuel adjustment charges passed to consumers. This trend is expected to continue throughout FY08.

	(Millions)			
	FY06 ACTUAL	FY07 BUDGET	FY07 PROJECTION	FY08 BUDGET
Electric Franchise Fees	\$ 24.2	\$ 24.1	\$ 26.2	\$ 26.9
Change from Prior Year	11.5%	<0.4%>	8.3%	2.7%

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 \$5.4 million budgeted in FY08 for license and permit revenues. Projected FY07 and FY08 revenues decreased sharply from FY06 due to a significant drop in large construction projects and new home construction. Construction activity is not expected to pick up until the latter part of 2008.

	(Millions)			
	FY06 ACTUAL	FY07 BUDGET	FY07 PROJECTION	FY08 BUDGET
Building Permits	\$ 6.7	\$ 5.8	\$ 5.4	\$ 5.4
Change from Prior Year	1.5%	<13.4%>	<19.4%>	0.0%

Occupational license funds of \$10.3 million are directed to a special revenue fund for debt purposes, with \$4.4 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. FY08 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 Tax: 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 FY08 sales tax estimate of \$30.6 million represents only 0.3% increase over the FY07 projection of \$30.5 million and down 3.5% from budget appropriations of \$31.7 million. State estimates reflect flat growth in FY08 due to softening of the housing market; trends indicating less home equity refinancing and its negative impact on durable goods purchases.

	(Millions)			
	FY06 <u>ACTUAL</u>	FY07 <u>BUDGET</u>	FY07 <u>PROJECTION</u>	FY08 <u>BUDGET</u>
Sales Taxes	\$ 31.1	\$ 31.7	\$ 30.5	\$ 30.6
Change from Prior Year	5.8%	1.9%	<1.9%>	0.3%

State Revenue Sharing: These revenues represent distributions from the state's municipal revenue sharing (MRS) trust fund. The city's estimated FY08 MRS share is approximately \$12.3 million of which \$7.4 million is budgeted in the general fund after \$4.9 million is deposited into the guaranteed entitlement fund to meet bond requirements.

	(Millions)			
	FY06 <u>ACTUAL</u>	FY07 <u>BUDGET</u>	FY07 <u>PROJECTION</u>	FY08 <u>BUDGET</u>
State Revenue Sharing	\$ 8.3	\$ 7.7	\$ 7.9	\$ 7.4
Change from Prior Year	2.5%	<7.2%>	<4.8%>	<6.3%>

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 \$0.7 million or 4.7%. This is primarily due to an increase in FY06 water department capital asset valuation.

	(Millions)			
	FY06 <u>ACTUAL</u>	FY07 <u>BUDGET</u>	FY07 <u>PROJECTION</u>	FY08 <u>BUDGET</u>
PILOF/PILOT	\$ 14.5	\$ 14.9	\$ 14.9	\$ 15.6
Change from Prior Year	5.8%	2.8%	2.8%	4.7%

Charges for Services

Approximately \$24.4 million is budgeted in FY08 for various services provided by general fund departments. Of this, public safety services (\$14.4 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, \$3.6 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 \$7.3 million for FY08. FY07 projected and FY08 revenues are based on a combination of FY08 budgeted expenditures (for airport fire/EMS coverage and off-duty security services) and department estimates.

	(Millions)			
	FY06 <u>ACTUAL</u>	FY07 <u>BUDGET</u>	FY07 <u>PROJECTION</u>	FY08 <u>BUDGET</u>
Charges for Services:				
Police	\$ 7.8	\$ 6.7	\$ 6.7	\$ 6.7
Fire Rescue	8.1	7.6	7.8	7.7
Convention Center	7.5	6.1	6.6	7.3
Total	\$ 23.4	\$ 20.4	\$ 21.1	\$ 21.7
Change from Prior Year	11.4%	<12.8%>	<9.8%>	2.8%

Fines and Forfeitures

Overall, \$2.8 million is budgeted for FY08 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 \$1.9 million, accounting for 68% of total fines and forfeitures. The FY07 traffic violation revenue projection reflects a 5.9% increase in traffic citations issued. This trend is expected to continue for FY08.

	(Millions)			
	FY06 <u>ACTUAL</u>	FY07 <u>BUDGET</u>	FY07 <u>PROJECTION</u>	FY08 <u>BUDGET</u>
Civil/Traffic Fines	\$ 1.7	\$ 1.7	\$ 1.8	\$ 1.9
Change from Prior Year	<5.6%>	0.0%	5.9%	5.6%

Interest Earnings

This is primarily interest earned on the general fund's proportionate share of the city's overall pooled cash. Higher FY07 projections represent the cumulative positive effects of higher proportion of city-wide pooled cash and higher interest rates.

	(Millions)			
	FY06 <u>ACTUAL</u>	FY07 <u>BUDGET</u>	FY07 <u>PROJECTION</u>	FY08 <u>BUDGET</u>
Interest Earnings	\$ 5.3	\$ 4.6	\$ 6.4	\$ 6.1
Change from Prior Year	27.8%	<13.2%>	20.8%	<4.7%>

Transfers and Other Financing Sources

Main transfers to the general fund in FY08 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; and to support general operations.
- \$4.4 million from the occupational license tax fund representing funds in excess of debt service requirements for the Florida Aquarium.
- \$1.1 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%. 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 \$28.3 million in FY08 and are based on estimates provided by the Florida Department of Revenue's Office of Research and Analysis. FY07 projected receipts reflect a 1.4% decrease from FY06 but will rebound in FY08 as changes due to 2004 federal and 2005 state legislation exempting some services from taxation are being offset by rising demand for new communications service products. Portions of this tax are transferred to the general fund (\$1.4 million) and cable communication fund (\$2.4 million) to replace franchise fee revenues previously collected under the old tax structure.

	(Millions)			
	FY06 <u>ACTUAL</u>	FY07 <u>BUDGET</u>	FY07 <u>PROJECTION</u>	FY08 <u>BUDGET</u>
Com. Services Taxes	\$ 28.2	\$ 27.0	\$ 27.8	\$ 28.3
Change from Prior Year	<1.1%>	<4.3%>	<1.4%>	1.8%

Electric Utility Tax

Projected FY07 electric utility taxes are expected to decline by 2.0% from FY06 as energy conservation efforts increase and will only increase modestly by 1.2% for FY08. Unlike electric franchise fees, fuel adjustment charges are not subject to utility taxes per state statute. Estimates are based on trend analysis of historical collections over the last three years and current year receipts.

	(Millions)			
	FY06 <u>ACTUAL</u>	FY07 <u>BUDGET</u>	FY07 <u>PROJECTION</u>	FY08 <u>BUDGET</u>
Electric Utility Taxes	\$ 25.2	\$ 26.1	\$ 24.7	\$ 25.0
Change from Prior Year	<4.5%>	3.6%	<2.0%>	1.2%

Water Utility Tax

FY07 water utility taxes are projected to remain at appropriated levels with little growth anticipated for FY08. Projections are based on trend analysis of collections over the last twelve months and assume water demand to remain relatively constant.

	(Millions)			
	FY06 <u>ACTUAL</u>	FY07 <u>BUDGET</u>	FY07 <u>PROJECTION</u>	FY08 <u>BUDGET</u>
Water Utility Taxes	\$ 3.4	\$ 3.4	\$ 3.4	\$ 3.5
Change from Prior Year	13.3%	0.0%	0.0%	2.9%

GUARANTEED ENTITLEMENT STATE REVENUE SHARING FUND

State shared revenues based on state estimates will total approximately \$12.3 million for FY08. 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, \$7.3 million, budgeted in the general fund (see General Fund - State Revenue Sharing section).

CABLE COMMUNICATION FUND

Other financing sources constitute \$2.8 million, or 85%, of cable communication fund's total budgeted revenues of \$3.3 million for FY08. A transfer from the utility tax fund of \$2.4 million represents the fund's proportionate 13.5% share of communications services taxes (see Utility Tax Fund - Communications Services Tax). Interest earnings of \$0.3 million, cable provider contributions of \$0.2 million, transfers from cable franchise fee fund balance of \$0.3 million and the cable fund balance of \$0.1 million make up the balance of revenues and other financing sources budgeted for FY08.

LOCAL OPTION GAS TAX REVENUE FUND

Local option gas tax of 6 cents per gallon is 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. FY08 gas tax collections are expected to stabilize at \$11.1 million. Total revenues of \$11.2 million are comprised of gas taxes (\$11.1 million) and interest earnings (\$0.1 million). Proceeds from this tax are used to fund various transportation projects, \$10.9 million, and debt service requirements of \$0.3 million.

	(Millions)			
	FY06 ACTUAL	FY07 BUDGET	FY07 PROJECTION	FY08 BUDGET
Local Option Gas Tax	\$ 11.4	\$ 11.1	\$ 11.1	\$ 11.2
Change from Prior Year	0.9%	<2.6%>	<2.6%>	0.9%

STORMWATER FUND

FY08 stormwater program revenue is \$17.6 million with transfers from the general fund (\$3.0 million) and utility tax fund (\$7.9 million), comprising 62% of total revenue. The remaining \$6.7 is generated via utility fees and assessments. The general fund portion will support personnel and operating costs, while the utility tax transfer will fund FY08 capital improvement construction projects. A portion of the utility tax transfer is budgeted for anticipated debt service for a proposed bond issuance/commercial paper in FY08 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 and have not changed since FY05. FY08 revenues are budgeted conservatively at \$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)			
	FY06 ACTUAL	FY07 BUDGET	FY07 PROJECTION	FY08 BUDGET
Occupational Licenses	\$ 10.3	\$ 10.0	\$ 10.0	\$ 10.0
Change from Prior Year	4.0%	<2.9%>	<2.9%>	0.0%

UTILITY TAX CAPITAL IMPROVEMENT PROJECTS FUNDS

Other financing sources constitute nearly 90% of the utility tax capital improvement projects fund's total revenues of \$10.7 million. City sources providing funds include utility tax capital fund, \$8.8 million, cable communication fund, \$0.8 million, and tourist development taxes, \$1.1 million. Major projects funded include: replacing the police communications system; Tampa Theatre electrical room upgrade; various park and recreation playground and center improvements; various building improvements and traffic signage projects; replacing the historic city hall elevator; 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. FY08 is the second year of the third five-year period of the community investment tax. Community investment tax revenues in FY08 are \$17.9 million and reflect a 2.9% increase from FY07 estimated collections of \$17.4 million (see the General Fund - Sales Taxes section for current and future forecast discussion). Budgeted uses for CIT programs in FY08 are capital improvement projects (\$6.5 million), vehicle replacement (\$6.2 million) and debt service (\$5.2 million).

	(Millions)			
	FY06 ACTUAL	FY07 BUDGET	FY07 PROJECTION	FY08 BUDGET
CIT	\$ 17.4	\$ 17.4	\$ 17.4	\$17.9
Change from Prior Year	22.5%	0.0%	0.0%	2.91%

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 FY08, \$7.8 million of revenue is budgeted to support various transportation projects. Major projects include I-75 at West Meadows Bridge construction (\$2.8 million) and Kennedy Boulevard and Dale Mabry Highway intersection improvements (\$1.2 million).