

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 FY07 are provided below:

GENERAL FUND

Taxes and Licenses

Taxes are charges levied by the local unit against the income or property of a person, business or corporation. Licenses represent fees and methods by which a local government authority grants the privilege of engaging in or managing any business, profession, and occupation within its jurisdiction.

Budgeted taxes for FY09 total approximately \$160.4 million, of which property taxes is the major revenue source and account for 99% of all taxes and 47% of the overall general fund budget. During FY08, the Florida Department of Revenue updated the state chart of accounts manual reclassifying franchise fees as licenses and permits as opposed to being a tax and occupational licenses as a business tax as opposed to a license.

Property Taxes: Net change in taxable property values used for developing the FY09 budget declined overall from \$29.62 to \$29.18 billion or 1.5% from FY08 due to voters approving Florida Constitution Amendment 1 and new construction being added to the tax rolls for the first time. Amendment 1 doubled the \$25,000 homestead exemption to \$50,000 for most homeowners and resulted in a taxable property loss of \$1.6 billion and annual recurring revenue loss of \$8.5 million (see Property Tax Reform in highlights section). Minimizing this impact, however, was \$1.071 billion of new construction added to the tax rolls for the first time. This was an increase of 33% over prior year’s new construction of \$803 million. Approximately \$478 million or 45% of new construction occurred within the community redevelopment areas. FY09 ad valorem revenue, \$159.2 million, is based on the following:

- Assessed property valuations of \$29.18 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)			
	FY07 Actual	FY08 Budget	FY08 Projection	FY09 Budget
Property Taxes	\$166.2	\$161.6	\$161.3	\$159.2
Change from Prior Year	17.9%	<2.8%>	<2.9%>	<1.3%>

Occupational license funds of \$10.0 million are directed to a special revenue fund for debt purposes, with \$4.2 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).

Franchise Fees, Licenses and Permits

Generally, franchise fees are fees levied on a corporation or individual by the reporting entity in return for granting a privilege, sanctioning a monopoly, or permitting the use of public property, usually subject to regulation. Examples of this include power and gas companies.

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.

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. Tampa Electric has proposed a base rate increase of 9% for May, 2009, pending review and approval by the Florida Public Service Commission. This reflects historical trend analysis but also assumes a partial year base rate increase of 9% and consumer conservation efforts. FY09 electric franchise fee revenue is estimated at \$27.0 million, a 3.1% increase over FY08 projected receipts.

	(Millions)			
	FY07 Actual	FY08 Budget	FY08 Projection	FY09 Budget
Electric Franchise Fees	\$ 25.9	\$ 26.9	\$ 26.2	\$ 27.0
Change from Prior Year	7.0%	3.9%	1.2%	3.1%

Construction related permits and fees are \$6.0 million and makes up 94% of the entire \$6.4 million budgeted in FY09 for permit revenues. FY09 revenues are estimated higher than FY08 projections to recognize permit fee increases

Related Financial Information

adopted in FY08 annualized over a full year and anticipates a turn around in the housing new construction market towards the later part of FY09.

	(Millions)			
	FY07	FY08	FY08	FY09
	<u>Actual</u>	<u>Budget</u>	<u>Projection</u>	<u>Budget</u>
Building Permits	\$ 5.3	\$ 5.4	\$ 5.4	\$ 6.0
Change from Prior Year	<20.9%>	1.9%	1.9%	11.1%

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. FY09 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 FY09 sales tax estimate of \$28.5 million represents a 5.2% increase over the FY08 projection of \$27.1 million but still down 6.9% from budget appropriations of \$30.6 million. State estimates predict an upturn in consumer spending during the latter half of FY09 with revenues achieving FY06 taxable sales levels by fiscal year 2011 as existing home inventories decline and new housing construction begins to increase.

	(Millions)			
	FY07	FY08	FY08	FY09
	<u>Actual</u>	<u>Budget</u>	<u>Projection</u>	<u>Budget</u>
Sales Taxes	\$ 29.4	\$ 30.6	\$ 27.1	\$ 28.5
Change from Prior Year	<5.5%>	4.1%	<7.8%>	5.2%

State Revenue Sharing: These revenues represent distributions from the state’s municipal revenue sharing (MRS) trust fund. The city’s estimated FY09 MRS share is approximately \$11.6 million of which \$11.3 million is budgeted in the general fund after \$0.3 million is deposited into the guaranteed entitlement fund to meet bond requirements.

	(Millions)			
	FY07	FY08	FY08	FY09
	<u>Actual</u>	<u>Budget</u>	<u>Projection</u>	<u>Budget</u>
State Revenue Sharing	\$ 8.1	\$ 7.4	\$ 6.5	\$ 11.3
Change from Prior Year	<2.4%>	<8.6%>	<19.8%>	73.8%

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 decrease of \$0.4 million or 2.6%. This is primarily due to the reduction of the millage rate from 6.408 to 5.7326.

	(Millions)			
	FY07	FY08	FY08	FY09
	<u>Actual</u>	<u>Budget</u>	<u>Projection</u>	<u>Budget</u>
PILOF/PILOT	\$ 15.0	\$ 15.6	\$ 15.6	\$ 15.2
Change from Prior Year	3.4%	4.0%	4.0%	<2.6%>

Charges for Services

Approximately \$25.2 million is budgeted in FY09 for various services provided by general fund departments. Of this, public safety services (\$14.4 million) account for 57% of total charges for services revenue. Types of public safety services provided include \$3.0 million for city-wide emergency medical service (EMS) coverage, \$3.6 million for fire protection/EMS services at Tampa International Airport and \$5.9 million for security services by off-duty police officers. Charges relating to use of the Tampa Convention Center account for another \$7.9 million for FY09. FY08 projected and FY09 revenues are based on a combination of FY09 budgeted expenditures (for airport fire/EMS coverage and off-duty security services) and department estimates.

	(Millions)			
	FY07	FY08	FY08	FY09
	<u>Actual</u>	<u>Budget</u>	<u>Projection</u>	<u>Budget</u>
Charges for Services				
Police	\$ 8.8	\$ 6.7	\$ 6.7	\$ 7.0
Fire Rescue	8.3	7.7	7.2	7.4
Convention Center	9.9	7.3	9.2	7.9
Total	\$ 27.0	\$ 21.7	\$ 23.1	\$ 22.3
Changes from Prior Year	15.4%	<19.6%>	<14.4%>	<3.5%>

Fines and Forfeitures

Overall, \$3.1 million is budgeted for FY09 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 \$2.0 million, accounting for 65% of total fines and forfeitures. The FY09 budget assumes same level traffic violation citations issued in FY08.

	(Millions)			
	FY07	FY08	FY08	FY09
	<u>Actual</u>	<u>Budget</u>	<u>Projection</u>	<u>Budget</u>
Civil/Traffic Fines	\$ 1.8	\$ 1.9	\$ 2.0	\$ 2.0
Change from Prior Year	5.9%	5.6%	11.1%	0.0%

Interest Earnings

This is primarily interest earned on the general fund’s proportionate share of the city’s overall pooled cash. Higher FY08 projections and FY09 budget represent cumulative positive effects on fund balance from various cost saving measures, and other efficiencies implemented.

	(Millions)			
	FY07 Actual	FY08 Budget	FY08 Projection	FY09 Budget
Interest Earnings	\$ 7.2	\$ 6.1	\$ 7.3	\$ 7.5
Change from Prior Year	35.8%	<15.3%>	1.4%	2.7%

Transfers and Other Financing Sources

Main transfers to the general fund in FY09 include the following:

- \$34.5 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.
- \$4.2 million from the occupational license tax fund representing funds in excess of debt service requirements for the Florida Aquarium.
- \$1.0 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 \$27.7 million in FY09 and are based on estimates provided by the Florida Department of Revenue’s Office of Research and Analysis. FY08 receipts reflect a 1.4% decrease from FY07 but are expected to increase for FY09 as the economy and consumer spending picks up towards the latter part of fiscal year 2009. Portions of this tax are transferred to the general fund (\$1.4 million) and cable communication fund (\$2.3 million) to replace franchise fee revenues previously collected under the old tax structure.

	(Millions)			
	FY07 Actual	FY08 Budget	FY08 Projection	FY09 Budget
Com. Services Taxes	\$ 27.6	\$ 28.3	\$ 27.2	\$ 27.7
Change from Prior Year	<2.1%>	2.5%	<1.4%>	1.8%

Electric Utility Tax

Tampa Electric has proposed a base rate increase of 9% effective May, 2009, pending review and approval by the Florida Public Service Commission. Estimated FY09 electric utility taxes are budgeted slightly higher, 1.2%, over FY08 projected revenues. This reflects historical trend analysis and anticipates a partial year base rate being offset by consumer conservation efforts. Unlike electric franchise fees, fuel adjustment charges are not subject to utility taxes per state statute.

	(Millions)			
	FY07 Actual	FY08 Budget	FY08 Projection	FY09 Budget
Electric Utility Taxes	\$ 24.8	\$ 25.0	\$ 25.5	\$ 25.8
Change from Prior Year	<1.6%>	0.8%	2.8%	1.2%

Water Utility Tax

FY09 water utility taxes will increase by 10.8% corresponding with year two of the water department’s five year rate increase. Projections are based on trend analysis of collections over the last twelve months and assume water demand to remain relatively constant.

	(Millions)			
	FY07 Actual	FY08 Budget	FY08 Projection	FY09 Budget
Water Utility Taxes	\$ 3.4	\$ 3.5	\$ 3.7	\$ 4.1
Change from Prior Year	0.0%	2.9%	8.8%	10.8%

GUARANTEED ENTITLEMENT STATE REVENUE SHARING FUND

State shared revenues based on state estimates will total approximately \$11.6 million for FY09. Of this, \$0.3 million is budgeted in the guaranteed entitlement state revenue sharing fund for Performing Arts Center improvements debt service requirements with the remaining proceeds, \$11.3 million, budgeted in the general fund (see General Fund – State Revenue Sharing section).

CABLE COMMUNICATION FUND

Other financing sources constitute \$2.8 million, or 77%, of cable communication fund’s total budgeted revenues of \$3.6 million for FY09. A transfer from the utility tax fund of \$2.4 million represents the fund’s proportionate 8.4% share of communications services taxes (see Utility Tax Fund – Communications Services Tax). Interest earnings of \$0.3 million, transfers from cable franchise fee fund balance of \$0.5 million and the cable fund balance of \$0.3 million make up the balance of revenues and other financing sources budgeted for FY09.

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. FY09 gas tax collections are expected to increase to \$10.4 million. Total revenues are \$10.5 million and are comprised of gas taxes (\$10.4 million) and interest earnings (\$0.1 million). Proceeds from this tax are used to fund various transportation projects, \$9.9 million, and debt service requirements of \$0.6 million.

	(Millions)			
	FY07 Actual	FY08 Budget	FY08 Projection	FY09 Budget
Local Option Gas Tax	\$ 11.2	\$ 11.1	\$ 11.1	\$ 10.4
Change from Prior Year	<1.8%>	<0.9%>	<0.9%>	<6.3%>

STORMWATER FUND

FY08 Stormwater program revenue is \$17 million with transfers from the general fund (\$2.9 million) and utility tax fund (\$7.7 million), comprising 63% of total revenue. The remaining \$6.3 million is generated via utility fees and assessments. The general fund portion will support personnel and operating costs, while the utility tax transfer will fund FY09 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 FY09 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. The last change was Ordinance 2006-141, enacted June 15, 2006. FY09 revenues are conservatively budgeted at \$10.0 million to reflect recent downturn in the economy. These funds are obligated to pay for Florida Aquarium debt service requirements of \$7.1 million 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)			
	FY07 Actual	FY08 Budget	FY08 Projection	FY09 Budget
Occupational Licenses	\$ 10.5	\$ 10.0	\$ 10.8	\$ 10.0
Change from Prior Year	1.9%	<4.8%>	2.9%	<7.4%>

UTILITY TAX CAPITAL IMPROVEMENT PROJECTS FUND

Other financing sources constitute nearly all of the utility tax capital improvement projects fund's total revenues of \$12.7 million. City sources providing funds include utility tax capital fund, \$10.7 million, cable communication fund, \$0.8 million, and tourist development taxes, \$1.2 million. Major projects funded include: various park and recreation playground and center improvements; various building improvements and traffic signage projects; replacing the historic city hall windows; the purchase at the Tampa Theatre lobby; and the implementation of the enterprise business transformation system.

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. FY09 is the third year of the third five-year period of the community investment tax. Community investment tax revenues in FY09 are \$19.6 million and reflect a 9.5% increase from FY06 estimated collections of \$17.9 million (see the General Fund – Sales Taxes section for current and future forecast discussion). Budgeted uses for CIT programs in FY09 are capital improvement projects (\$9.3 million), vehicle replacement (\$5.1 million) and debt service (\$5.2 million).

	(Millions)			
	FY07 Actual	FY08 Budget	FY08 Projection	FY09 Budget
CIT	\$ 20.0	\$ 17.9	\$ 17.9	\$ 19.6
Change from Prior Year	14.9%	<10.5%>	<10.5%>	9.5%

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 FY09, \$5.1 million of revenue is budgeted to support various transportation projects. Major projects include Kennedy Boulevard and Dale Mabry Highway intersection improvements (\$0.7 million); MacDill and Kennedy intersection improvements (\$0.9 million); and the Dale Mabry Highway and Columbus Drive turn lane (\$1.7 million).