

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 FY04 are provided below:

General Fund

Taxes and Franchise Fees

Taxes and franchise fees total approximately \$163.3 million, of which property taxes and electric franchise fees are the major revenue sources and account for 98% of all taxes/franchise fees budgeted and 52% of the overall general fund budget.

Property Taxes: The FY06 property tax estimate of \$139.0 million represents an increase of \$15.6 million or 12.6% above the FY05 projection of \$123.5 million and includes further adjustments for payment of delinquent taxes, \$0.3 million. Steady population and job growth along with a strong economy continue to fuel high demand for new and existing homes. New construction accounted for \$663 million, a 49.7% increase over tax year 2004, and represents nearly 25% of total property valuation increase of \$2.7 billion over last year's certified taxable values. Initial FY06 ad valorem revenue, \$138.7 million, is based on:

- Assessed property valuations of \$22.3 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)			
	FY04 Actual	FY05 Budget	FY05 Projection	FY06 Budget
Property Taxes	\$113.4	\$121.5	\$123.5	\$139.0
Change from Prior Year	7.8%	7.1%	8.9%	12.6%

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% on gas service. FY05 electric franchise fee revenue is projected at \$21.4 million, slightly less than 1.0% over FY04 actual receipts. This growth trend is expected to continue throughout FY06 barring any dramatic increases in oil prices or demand as current collections already reflect fuel adjustment charges resulting from higher oil prices experienced over the last eighteen months.

	(Millions)			
	FY04 Actual	FY05 Budget	FY05 Projection	FY06 Budget
Electric Franchise Fees	\$ 21.2	\$ 21.2	\$ 21.4	\$ 21.6
Change from Prior Year	6.0%	0.0%	0.9%	0.9%

Licenses and Permits

Generally, licenses are taxes paid by individuals or companies for the right to engage in certain businesses, occupations and/or professions. Permits are usually one-time application fees to help offset the cost of providing city services involving zoning or regulated trades where inspections/review 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 FY06 for license and permit revenues. FY05 revenues are projected to rise significantly over FY04 due to an influx of large construction projects. Though showing a decline from FY05, FY06 still reflects an 8% increase over FY04 levels.

	(Millions)			
	FY04 Actual	FY05 Budget	FY05 Projection	FY06 Budget
Building Permits	\$ 5.0	\$ 5.0	\$ 6.1	\$ 5.4
Change from Prior Year	2.0%	0.0%	22.0%	<11.5%>

Occupational license funds of \$10.0 million are directed to a special revenue fund for debt purposes, with \$5.0 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. FY06 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 local government half-cent sales tax program. The FY06 sales tax estimate is \$30.4 million representing a 5.6% increase over the FY05 projection of \$28.8 million and 19.7% over budget appropriations of \$25.4 million. FY04 sale tax distributions were \$27.4 million, or 5.8% above FY03 receipts, far exceeding state projections, which forecasted negative growth at 1.6%. Faster than anticipated growth occurred during FY04 as local conditions mirrored national and state positive trends when the overall economy transitioned from weak recovery to expansion mode. Taxable sales are expected to grow at approximately 5% annually for FY05 and FY06.

	(Millions)			
	FY04 Actual	FY05 Budget	FY05 Projection	FY06 Budget
Sales Taxes	\$ 27.4	\$ 25.4	\$ 28.8	\$ 30.4
Change from Prior Year	5.8%	<7.3%>	5.1%	5.6%

State Revenue Sharing: These revenues represent distributions from the state’s municipal revenue sharing (MRS) trust fund, which for FY06 is comprised primarily of a portion of sales tax (70.4%) and one-cent municipal fuel taxes (29.1%) collected statewide. The city’s estimated FY06 MRS share is approximately \$12.0 million of which \$7.1 million budgeted in the general fund after deposits of \$4.9 million is deposited into the guaranteed entitlement fund to meet bond requirements.

	(Millions)			
	FY04 Actual	FY05 Budget	FY05 Projection	FY06 Budget
State Revenue Sharing	\$ 4.2	\$ 6.1	\$ 6.5	\$ 7.1
Change from Prior Year	13.5%	45.2%	54.8%	9.2%

Payment in Lieu of Franchise Fees/Taxes (PILOF)/ (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 \$821,000 or 5.8%. This is primarily due to an increase in FY04 water department capital asset valuation.

	(Millions)			
	FY04 Actual	FY05 Budget	FY05 Projection	FY06 Budget
PILOF/PILOT	\$ 13.6	\$ 13.7	\$ 13.7	\$ 14.5
Change from Prior Year	15.3%	0.7%	0.7%	5.8%

Charges for Services

Approximately \$21.5 million is budgeted in FY06 for various services provided by general fund departments. Of this, public safety services, \$14.1 million, account for 66% of total charges for services revenue. Types of public safety services provided include \$3.0 million for city-wide emergency medical service (EMS) coverage; \$3.5 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 Tampa’s convention center account for another \$5.1 million for FY06. FY05 projected and FY06 revenues are based on a combination of FY06 budgeted expenditures (for airport fire/EMS coverage and off-duty security services) and department estimates.

	(Millions)			
	FY04 Actual	FY05 Budget	FY05 Projection	FY06 Budget
Charges for Services				
Police	\$ 7.0	\$ 6.8	\$ 5.9	\$ 6.9
Fire Rescue	7.0	6.8	7.2	7.2
Convention Center	5.6	5.1	6.5	5.1
Total	\$ 19.6	\$ 18.7	\$ 19.6	\$ 19.2
Changes from Prior Year	<1.0%>	<4.6%>	0.0%	<2.0%>

Fines and Forfeitures

Overall, \$2.3 million is budgeted for FY06 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 \$1.5 million, accounting for 65% of total fines and forfeitures. During the 2004 legislative session, Senate Bill 2942 amending Article V was enacted resulting in bond forfeitures and criminal penalties revenues being directed to assist funding the state court system. Impacts of this legislation to the city are approximately \$1.0 to \$1.5 annually and account for lower FY05 projected revenues. Informal inquiries have begun with the county clerk’s office as to the applicability of the statute to municipalities. FY06 traffic violation revenue is

Related Financial Information

conservatively based on FY05 average monthly collections of \$125,000.

	(Millions)			
	FY04 Actual	FY05 Budget	FY05 Projection	FY06 Budget
Fines & Forfeitures	\$ 3.1	\$ 2.8	\$ 1.8	\$ 1.5
Change from Prior Year	34.8%	<9.7%>	<41.9%>	<16.7%>

Interest Earnings

This is primarily interest earned on the general fund’s proportionate share of the city’s overall pooled cash. Lower FY05 projections represent cumulative negative effects on fund balance resulting from hurricane expenditure outlays and higher pension costs. Efforts to improve fund balance reserves are anticipated to stabilize earnings in FY06.

	(Millions)			
	FY04 Actual	FY05 Budget	FY05 Projection	FY06 Budget
Interest Earnings	\$ 4.4	\$ 4.7	\$ 3.5	\$ 3.5
Change from Prior Year	<4.3%>	6.8%	<20.5%>	0.0%

Transfers and Other Financing Sources

Main transfers to the general fund in FY06 include the following:

- \$37.6 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.
- \$5.0 million from the occupational license tax fund representing funds in excess of debt service requirements for the Florida Aquarium.
- \$1.5 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 via to 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 \$26.4 million in FY06 and are based on estimates provided by the Florida Department of Revenue’s Office of Research and Analysis. FY05 receipts reflect a modest 2.2% increase over FY04 but will decline 7.0% in FY06 due to recent federal and state legislation changes exempting certain services from taxation; increased competition amongst telecommunications service providers; new technologies; and consumer trends towards deleting land lines in favor of cell phones. In 2004, the federal government passed the Internet Tax Non Discrimination Act. This act exempts retail purchases of direct subscriber lines (DSL) from taxation and permits telecommunication providers to collect taxes only on the taxable portion of their service. Previously tax was collected on the full “bundled” amount. Also, during the 2005 session, state legislation exempting substitute communications systems was enacted negatively impacting the city by approximately \$600,000 annually. Portions of this tax are transferred to the general fund (\$1.2 million) and cable communication fund (\$2.2 million) to replace franchise fee revenues previously collected under the old tax structure.

	(Millions)			
	FY04 Actual	FY05 Budget	FY05 Projection	FY06 Budget
Com. Services Taxes	\$ 27.8	\$ 28.8	\$ 28.4	\$ 26.4
Change from Prior Year	<7.5%>	<0.7%>	<2.4%>	0.3%

Electric Utility Tax

Electric utility taxes are expected to increase in FY06 by approximately 1.2% over the FY05 projection of \$26.0 million. Estimates are based on trend analysis of historical collections over the last three years and power company estimates.

	(Millions)			
	FY04 Actual	FY05 Budget	FY05 Projection	FY06 Budget
Electric Utility Taxes	\$ 25.8	\$ 26.2	\$ 26.0	\$ 26.3
Change from Prior Year	<0.4%>	1.6%	0.8%	1.2%

Water Utility Tax

FY05 water utility taxes are projected to meet appropriations at \$3.0 million with little growth anticipated for FY06. Projections are based on trend analysis of collections over the last twelve months and assume water demand to remain relatively constant.

	(Millions)			
	FY04	FY05	FY05	FY06
	Actual	Budget	Projection	Budget
Water Utility Taxes	\$ 3.0	\$ 3.0	\$ 3.0	\$ 3.0
Change from Prior Year	15.4%	0.0%	0.0%	0.0%

Guaranteed Entitlement State Revenue Sharing Fund

State shared revenues based on state estimates will total approximately \$12 million for FY06. 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, \$7.1 million, budgeted in the general fund (see General Fund – State Revenue Sharing section).

Cable Communication Fund

Other financing sources constitute \$3.2 million, or 91%, of cable communication fund’s total budgeted revenues of \$3.5 million for FY06. A transfer from the utility tax fund of \$2.2 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 and transfers from cable franchise fee fund balance of \$0.3 million and the cable fund balance of \$0.7 million make up the balance of revenues and other financing sources budgeted for FY06.

Local Option Gas Tax Revenue Fund

Local option gas taxes of 6 cents per gallon 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 amongst county and local municipal entities via a population based distribution formula. FY06 gas tax collections are expected to increase slightly to \$11.0 million of which a portion is reflected as a transfer from fund balance. Total revenues are \$11.5 million and are comprised of gas taxes \$11.0 million; interest earnings \$0.1 million; and a transfer from fund balance of \$0.4 million. Proceeds from this tax are used to fund various transportation projects, \$8.6 million, and debt service requirements of \$3.0 million.

	(Millions)			
	FY04	FY05	FY05	FY06
	Actual	Budget	Projection	Budget
Local Option Gas Tax	\$ 10.9	\$ 10.6	\$ 10.6	\$ 11.0
Change from Prior Year	0.9%	<2.8%>	<2.8%>	3.8%

Stormwater Fund

FY06 Stormwater program revenue is \$17.1 million with transfers from the general fund (\$3.0 million) and utility tax fund (\$7.9 million) comprising 64% of total revenue. The remaining \$6.2 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. This change is expected to generate \$4.0 million in additional revenue over FY05 projected assessment collections of \$1.8 million. The general fund portion will support personnel and operating costs, while the utility tax transfer will fund FY06 capital improvement 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 2004-161, enacted July 15, 2004, increased business license fees by 5% effective for the FY05 and FY06 budget years but will automatically revert back to prior rate structure for FY07 unless extended. FY06 budgeted revenues total \$10.0 million and represent 1.0% growth over FY05 projection. 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)			
	FY04	FY05	FY05	FY06
	Actual	Budget	Projection	Budget
Occupational Licenses	\$ 9.3	\$ 9.9	\$ 9.9	\$ 10.0
Change from Prior Year	0.0%	6.5%	6.5%	1.0%

Utility Tax Capital Improvement Projects Fund

Other financing sources constitute all of the utility tax capital improvement projects fund’s total revenues of \$6.4 million. Besides a \$1.5 million transfer from fund balance, other city sources providing funds include utility tax capital fund, \$4.1 million, and cable communication fund, \$0.8 million. Major projects funded include: downtown central business core projects; police district III headquarters; various park and recreation playground and center improvements; various building improvements and traffic signage projects; and replacing city communications infrastructure.

Community Investment Tax (CIT) Fund

Major revenue consists of a thirty-year 1/2 cent local option sales tax that was approved by countywide referendum on September 3, 1996. FY06 community investment tax revenues are \$14.0 million and reflects a 6.1% increase from FY05 estimated collections of \$13.2 million (see the General Fund – Sales Taxes section for current and future forecast discussion). However, only \$12.4 million is appropriated as the remainder of the CIT programs, \$1.8 million, are funded via interest earnings. Budgeted uses for CIT programs (\$14.2 million) in FY06 are: capital improvement projects – \$7.6 million; vehicle replacement – \$2.6 million; and debt service – \$4.0 million.

	(Millions)			
	FY04	FY05	FY05	FY06
	<u>Actual</u>	<u>Budget</u>	<u>Projection</u>	<u>Budget</u>
CITs	\$ 12.7	\$ 13.2	\$ 13.2	\$ 14.0
Change from Prior Year	2.4%	3.9%	0.0%	6.1%

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 FY06, \$6.6 million of revenue is budgeted to support various transportation projects. Major projects include I-75 at West Meadows Bridge construction – \$2.9 million; 40th Street: Hillsborough Avenue to Busch Boulevard segment roadway improvements – \$1.2 million; Kennedy Boulevard and Dale Mabry Highway intersection improvements – \$0.9 million; and Manhattan Avenue: Gandy Boulevard to Euclid Avenue roadway improvements – \$0.8 million.