



Beyond Property Taxes

Enhancing Revenue without Raising the Millage

June 27, 2017

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Overview

- ◆ While property tax and sales tax growth in Florida have rebounded from recession lows, the rating agencies have identified potential uncertainty in 2018 and beyond
- ◆ Local leaders faced pent-up demand from multiple constituencies to address deferred capital maintenance, restore services, and increase wages
- ◆ Against this backdrop, local governments are evaluating alternative revenue and cost recovery opportunities beyond simply raising millage rates
- ◆ Today's presentation will summarize revenue enhancement opportunities that can bolster revenue and/or improve cost recovery without raising millage rates



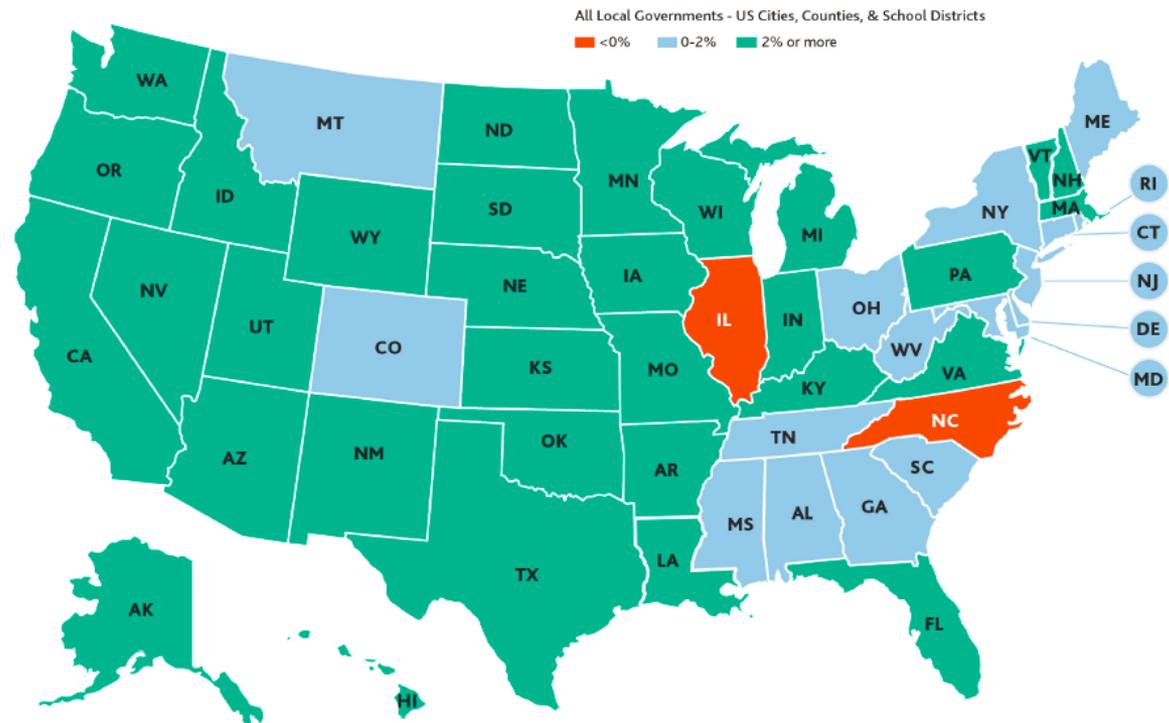
Revenue Growth in Florida



Florida Property Tax Base (2014-2015)

- Florida local governments rated by Moody's experienced strong property tax growth in 2015

Local Government Tax Bases Largely Saw Growth in Fiscal Year 2015
Median annual percent change in full valuation for rated local governments by state (2014-15)



Source: Moody's Investors Service

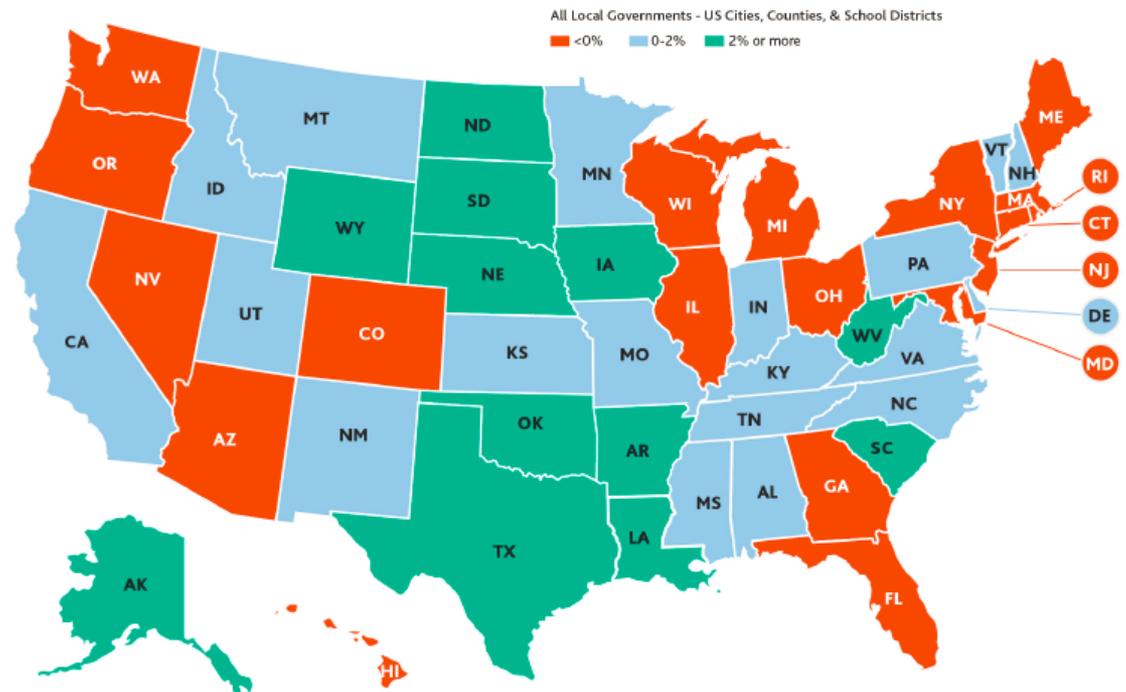
Source: Moody's Investor Services, "2017 Outlook – Strong Tax Revenues and Healthy Reserves Drive Stability for Most," December 7, 2016



Florida Property Tax Base (2010 – 2015)

- ◆ Dating back to 2010, however, Florida's property tax growth has lagged other regions of the U.S.
- ◆ Local Florida governments rated by Moody's – in the aggregate – have a negative median five-year change in the full value of the tax base

Local Tax Bases Continuing to Recover; Growth Strongest in Central US
Median five-year full valuation compound annual growth rate for rated local governments by state (2010-15)



Source: Moody's Investors Service

Source: Moody's Investor Services, "2017 Outlook – Strong Tax Revenues and Healthy Reserves Drive Stability for Most," December 7, 2016



Storm Clouds on the Horizon?

- ◆ Fitch Ratings forecasts “moderate near-term property tax revenue growth” for the local government sector
- ◆ However, the rating agency also views growth in Florida localities as “exceeding supporting fundamentals”

“Fitch’s most recent Sustainable Home Price Report indicates home prices in ***MOST REGIONS*** are at sustainable levels.”

But rapid growth in Texas, ***FLORIDA***, and parts of the western U.S. appears to be exceeding supporting fundamentals, leading to overvalued properties”

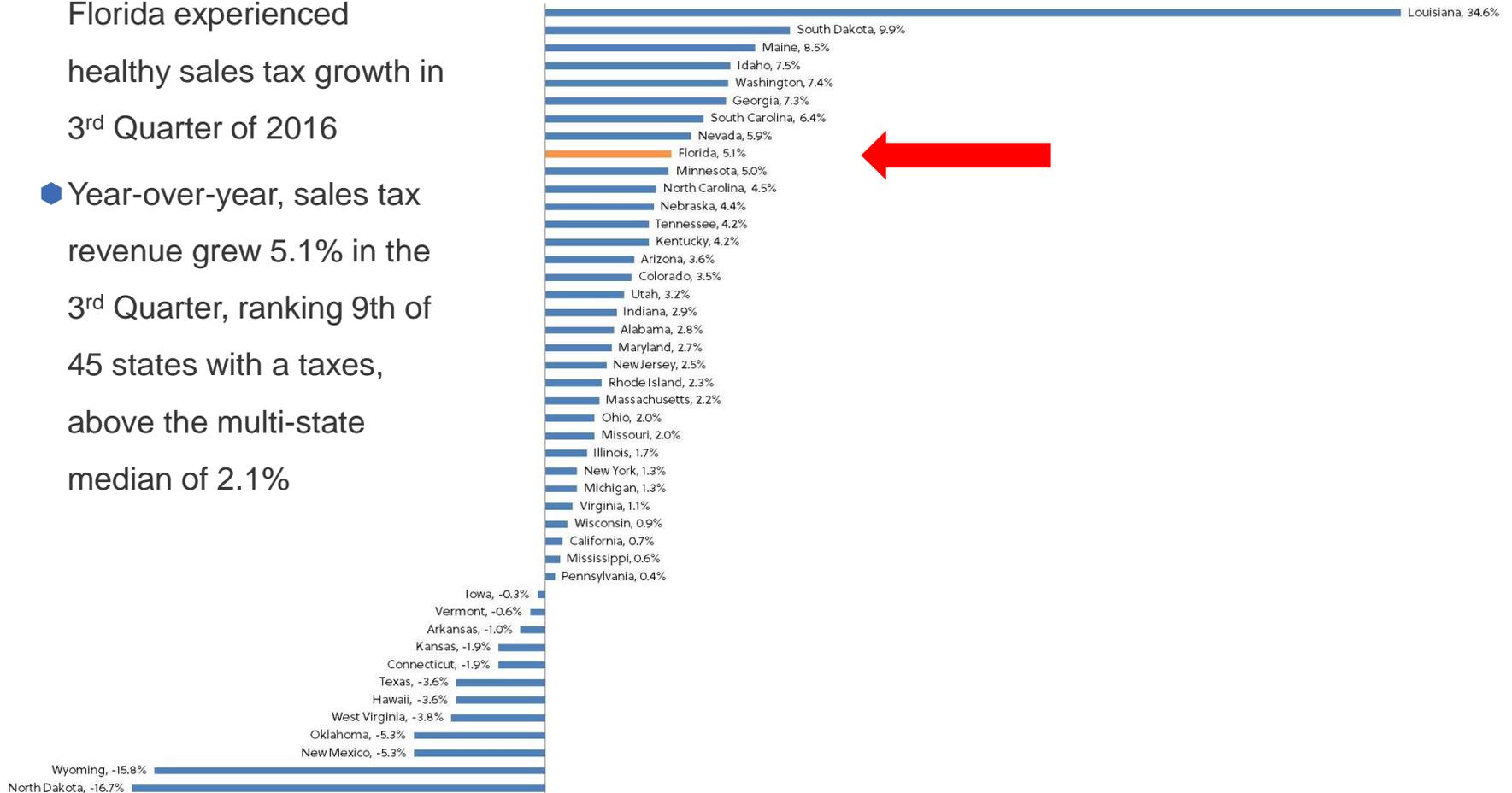
-Fitch Ratings, “Sector Briefing: Local Governments,” May 2017



Sales Tax Growth

- Relative to other States, Florida experienced healthy sales tax growth in 3rd Quarter of 2016
- Year-over-year, sales tax revenue grew 5.1% in the 3rd Quarter, ranking 9th of 45 states with a taxes, above the multi-state median of 2.1%

Year-Over-year Change in Quarterly Sales Tax Revenue (3rd Quarter 2016)



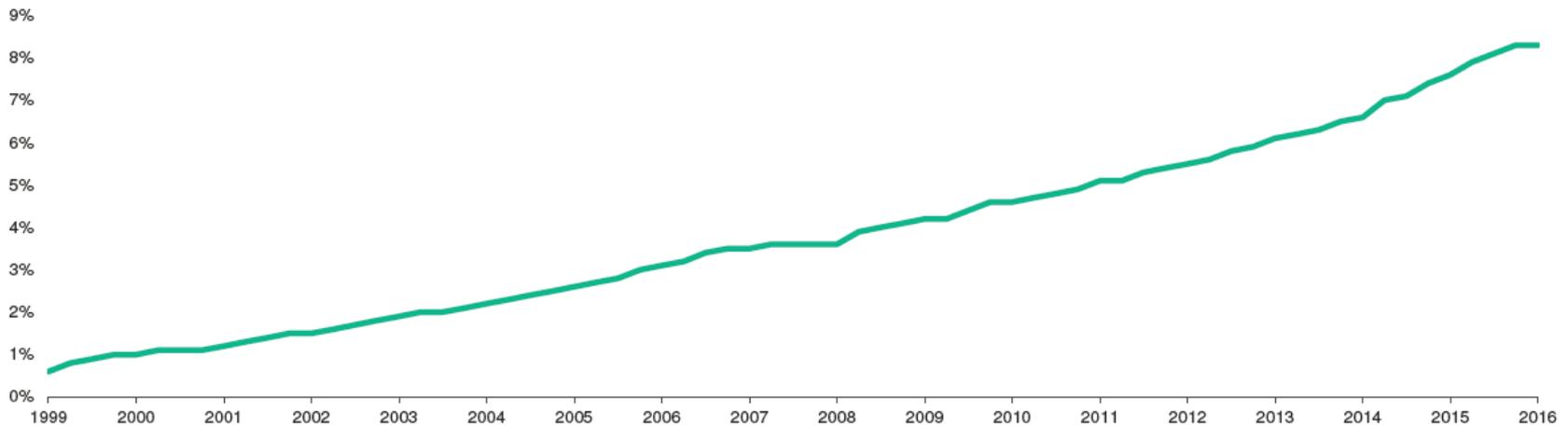
Source: Nelson A. Rockefeller Institute of Government, "State Revenue Report #106, Weak Revenue Growth in the Third and Fourth Quarters of 2016 Amid Uncertainty About Federal Tax Changes, March 2017," Lucy Dadayan and Donald J. Boyd



“Amazon Effect”

- ◆ E-commerce as a percent of retail sales has grown from less than 1% in 2000 to more than 8% in the second half 2016
- ◆ As e-commerce sales expand, local and state governments lose potential sales tax revenue

E-Commerce Sales as a Share of Retail Sales



Source: Federal Reserve Bank of St. Louis

Net of Amazon collections, the National Conference of State Legislatures estimates uncollected sales and use tax from e-commerce at \$26 billion for 2015

Sources: Moody's Investor Services, "Poor Tax Trends Carry Silver Linings," March 30, 2017. NCSL, "Uncollected Sales & Use Taxes from Remote Sales: Revised Figures (March 2017)"



Expansionary Business Cycle

- ◆ The current expansion phase of the business cycle began nearly eight years ago after the recession bottomed out in June of 2009
- ◆ Current expansionary phase is at **95 months** and counting through May 2017, already making it the second longest expansion phase of the Post-WW II era
- ◆ Last five expansion phases (trough to peak):

Start/End	Duration
November 2001 – December 2007	73 months
March 1991 – March 2001	120 months
November 1982 – July 1990	92 months
July 1980 – July 1981	12 months
March 1975 – January 1980	58 months

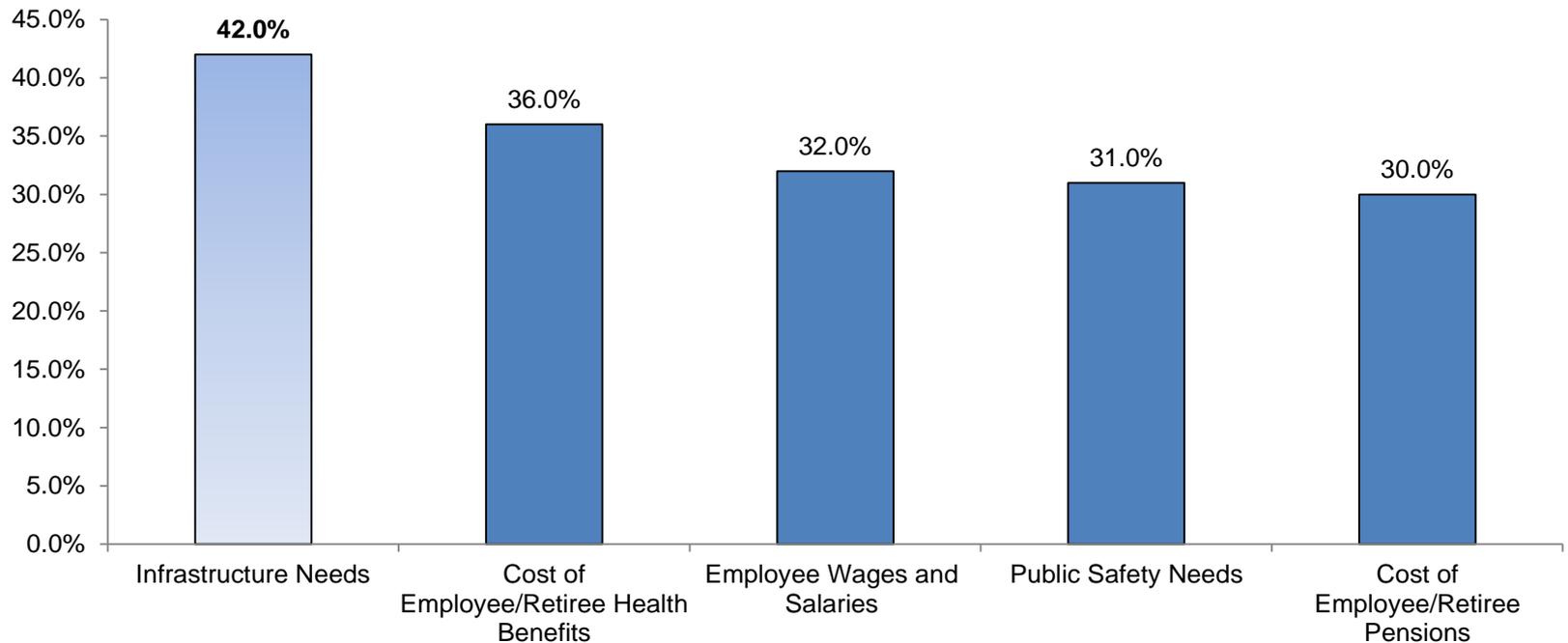
- ◆ Average 1945 – 2009 (11 cycles): 58.4 months
- ◆ Range: 12 to 120 months



Additional Funding Pressures

- ◆ Deferred and growing infrastructure demand persists as a pressing concern for local governments
- ◆ For the third year in a row, the National League of Cities survey of fiscal conditions cites “infrastructure needs” as the leading budgetary concern among municipal finance officers

Most Impactful Negative Factors on City Budgets
(As reported in NLC City Fiscal Conditions Survey, October 2016)





Enhancing Revenue without Raising the Millage



Revenue Enhancement Opportunities

- The following slides present a series of revenue enhancement/cost recovery opportunities for local governments
- The opportunities listed represent a mix of tactical and strategic opportunities
- Each opportunity strives to achieve at least one of the following goals
 - Encourage tax-exempt entities to contribute their “fair share”
 - Align usage with costs
 - Shift tax burden away from local residents and businesses

Revenue Enhancement Opportunities

- *Strike a Grand Bargain with Anchor Institutions*
- *Increase Ad-Valorem Collection Rates*
- *Market-Based Revenue Opportunities*
- *Maximize Tourist Development Taxes*
- *Revisiting Revenue Sharing Agreements*
- *Pay as You Throw*
- *Comprehensive Fee Studies*
- *Rental Registration Fee*
- *Parking Fees*



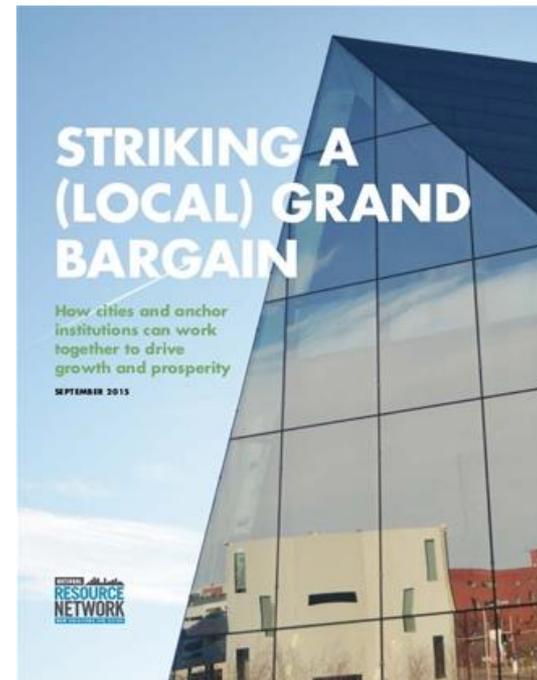
Strike a “Grand Bargain” with Anchor Institutions

- ◆ Tax exempt organizations frequently own a significant percentage of property in localities – ranging from higher education institutions to medical facilities to smaller non-profits
- ◆ These businesses use local government services in the same way that privately owned businesses use services, yet they do not pay local property taxes
- ◆ In FY2015, more than 35 of Boston’s hospitals, higher education institutions, and cultural institutions combined to provided community benefits and cash PILOT payments totaling nearly 20% of their taxable value. In FY2016, Providence budgeted \$9.0 million in PILOT payments – primarily from just four higher education institutions – less than 2% of the City’s General Fund budget, or less than 7% of its General Fund non-tax revenues
- ◆ When local governments engage with tax exempt organizations on a discussion of voluntary payments (PILOTs), the conversation quickly becomes transactional



Strike a “Grand Bargain” with Anchor Institutions

- ◆ To win anchor institution support for the increase in PILOT payments, the City needs to work more closely with anchor institutions to identify targeted investments for increased PILOTs (e.g. dedicated funding for City health initiatives, education, infrastructure) and support joint planning and partnerships around specific projects

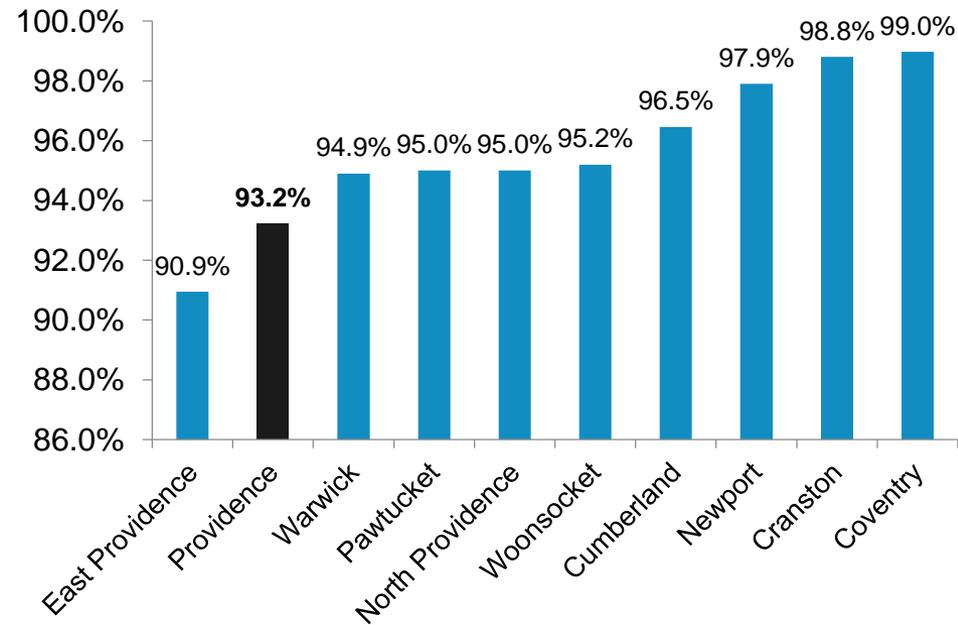




Increase Ad-Valorem Collection Rates

- Even without increases in the tax base or millage rates, local governments can increase revenue by improving collection efforts.
- A first step in the process might be to conduct a basic benchmarking project to compare jurisdiction collection rates with nearby or comparable jurisdictions
- If collection rates are comparatively low, jurisdictions can look at current strategies and compare them to best practices including use of third party collections, use of data to identify assets and opportunities for collection, identifying delinquent taxpayers that may have business relationships with local government (e.g. vendors)

2014 Current Year Collections





Market-Based Revenue Opportunities (MBROs)

- ◆ Market Based Revenue Opportunities (MBRO) allow local governments to maximize market value of certain assets – through advertising and other uses of City owned property.
- ◆ There are numerous examples of how this strategy has been employed in Florida:
 - The Parks Foundation of Miami-Dade County has an Adopt-a-Bench program that offers residents an opportunity to personalize a park bench to honor the memory of a loved one, as a gift, or to advertise for a business.
 - Fort Lauderdale draws sponsorships for a variety of events including their Sunday Jazz Brunch, Riverwalk, Golf tournament, and Transportation Summit. For FY17, the Fort Lauderdale expects to receive over \$400,000 in revenue from more than 50 sponsoring organizations.
 - Hialeah has leveraged both the local business community and national corporations for funding local programs. Coca-Cola is named the official drink of the City. Leon Medical Centers is named the City's official wellness partner and has naming rights to a room within the Milander Center. The City of Hialeah will receive a total of \$115,000 over three years from Leon Medical Center for these rights.



Market-Based Revenue Opportunities (MBROs)

- ◆ Nationally, local governments have identified additional opportunities:
 - Glendale, California generates about \$500,000 per year in revenue from vending machines located in their parks. In 2016, the Glendale City Council voted to offer only healthy snacks such as fruits, nuts, juice, and water in vending machines located in parks and libraries. Chicago was one of the first cities to stock vending machines in parks with healthy snacks, through their 100% Healthier Snack Vending Initiative. Within the first year of the initiative in 2014, monthly sales per machine increased from \$84 to \$371.
 - The Fairfax County Park Authority in Virginia provides permits for food trucks to operate in their parks. Vendors pay a \$150 application fee for each park requested, and the City receives the greater of \$150 or 15 percent of gross revenue each month. The Park Authority specifically seeks food trucks that offer specialty food items and an affordable menu.
 - Huntington Beach, California recently entered an agreement whereby Hurley International would provide and install two lifeguard stands, valued at \$45,000 each, in exchange for exclusive advertising rights on those lifeguard stands for two years.



Tourist Development Taxes

- ◆ The tax rate applied transient rentals in Florida varies from 3% to a maximum of 6%, and varies by county
- ◆ During the 2016-2017 fiscal year, the 62 Florida counties levying the maximum transient rental tax will generate approximately \$859 million in revenue for tourist development

The 43 Florida counties not levying the all the possible tourist development taxes failed to realize **\$70 million** in potential revenue

- *State of Florida Office of Economic and Demographic Research*

Airbnb has been collecting transient rental taxes and sales taxes in Florida since December of 2015



Revisit Revenue Sharing Agreements

- ◆ Franchise fees are often levied as a % of gross revenue
- ◆ High profile franchise fees include utilities, principally electricity, water, and wastewater
- ◆ Many jurisdictions, however, have other revenue sharing arrangements that can may be overlooked.
Examples include:
 - Commercial waste haulers
 - Sight-Seeing/Trolley Tour Operators
 - Other Tourist-related Operations
- ◆ Competitive bidding and benchmarking for these revenue sharing arrangements may result in increased revenue for local governments



“Pay as You Throw” Programs

- Many jurisdictions face increased solid waste disposal costs
- “Pay as You Throw” Programs charge a variable rate for solid waste disposal – residents pay a higher amount for larger volumes
- Benefits of “Pay as You Throw Programs include:
 - Reduction in waste generation
 - Relieve pressure on landfills
 - Promote recycling
 - Enhance equity – charging for waste actually produced
- According to the EPA, more than 7,000 communities nationwide have implemented Pay-as-You-Throw programs

Pay-as-You-Throw Programs in Florida

- *Alachua County*
- *Gainesville*
- *Lake Worth*
- *Palm Bay*
- *Plantation*
- *Tampa*

Pay-as-You-Throw Rates, Alachua County (Unincorporated Areas of County)

Cart Size	Annual Cost (FY15-16)	Estimated Load
Mini-Can	\$119.30	1 kitchen-sized bag of garbage
35 Gallon	\$137.59	2 kitchen-sized bags of garbage
64 Gallon	\$191.75	5 kitchen-sized bags of garbage
96 Gallon	\$283.50	7 kitchen-sized bags of garbage (For very large families)



“Pay as You Throw” Programs

- ◆ Local governments can implement a program with variable rates for customers using different sized garbage carts (e.g. 32, 64 or 96-gallons) as part of their monthly fee, with the cost escalating as the size of the cart increases, and use City authorized bags for collection of items that do not fit in the cart and provide recycling carts at no charge
- ◆ Local governments can provide special discounts for low-income, senior, or disabled customers to promote equity, as others have done:
 - **Springfield, MA** offers a \$40 discount on its \$90 annual trash fee for the elderly, disabled veterans, the blind, and the indigent
 - **Seattle, WA** offers low income customers, seniors, and persons with disabilities up to a 50% discount on garbage bills





Comprehensive Study of Fines and Fees

- User fees should be examined on a regular basis to maximize potential cost recovery
- Well defined fee studies contain the following components:
 - Cost-of-service analysis for each fee, accounting for...
 - Direct costs
 - Overhead
 - Time and Overhead allocations
 - Benchmarking of similar fee levels and fees charged in peer jurisdictions
 - Articulation of jurisdictional policy goals (e.g., 100% cost recovery vs. incentivizing behavior)

City Revenue Actions (As reported in NLC City Fiscal Conditions Survey, October 2016)

	Decrease	Increase	
Fee Levels	1%	41%	←
Property Tax Rate	10	22	
Level of Impact Fees	2	20	←
Number of Fees	1	20	←
Other Tax Rate	1	9	
Sales Tax Rate	1	6	
Tax Base	4	6	
# of Other Taxes	1	4	
Income Tax Rate	1	1	



Comprehensive User Fee Study – District of Columbia

- ◆ **Background:** Washington, D.C. is a large urban area experiencing population growth placing greater demand on city services
- ◆ **Issue:** The District lacked a comprehensive framework to determine cost recovery goals, and to adjust fee levels – some of which had not been changed in many years
- ◆ **Approach:** Identified subsets of fees within a number of prioritized departments to conduct a comprehensive study:
 - Compared current fee levels to benchmark jurisdictions
 - Estimated the cost of providing services, including direct and indirect costs
 - Identified policy considerations and recommended fee adjustments based on cost of service and comparison to peers
- ◆ **Findings:** The Department overseeing building permits estimated a financial impact of \$2 million alone; more than 25 departments were included in the Study





Benchmarking

- The District identified a set of jurisdictions to develop a market perspective for levels
- Mix of regional jurisdictions, and others with similar operations
- In many instances, the District's fee levels were among the lowest analyzed

Parking Boot Fee Comparisons (Large City Comparison Group)

	Fee Name	Current / (Proposed) Fee Amount
Washington, DC	Parking Boot Fee	\$75 per vehicle
Baltimore, MD	Parking Boot Fee	\$150 per vehicle
Houston, TX	Parking Boot Fee	\$166.02 per vehicle + \$166.02 administrative fee
Oakland, CA	Parking Boot Fee	\$140 per vehicle
Philadelphia, PA	Parking Boot Fee	\$150 per vehicle
Pittsburgh, PA	Parking Boot Fee	\$300 per vehicle
San Francisco, CA	Parking Boot Fee	\$445 per vehicle
Seattle, WA	Parking Boot Fee	\$145 per vehicle



Cost of Service

- ◆ Financial data, business process documents, and interviews with departmental staff were used to estimate the costs of providing services to residents and business owners
- ◆ In some cases, fee levels had not been adjusted in many years, or the costs of the current method of delivery had increased significantly since the adoption of the original fee level
- ◆ The table below summarizes three fees in the Office of the Surveyor, where the fully-loaded cost associated with a fee far exceeded the revenue generated by the fee itself

Office of the Surveyor

Fee Category	Direct Hours per Unit	Total Fully-Loaded Cost	FY2016 Fee	FY2017 Fee
Building Plat	1.5	\$115	\$50	\$60
Subdivision Plat	13	\$1,386	\$400	\$500
Roadway Closure	100	\$8,977	\$2,500	\$2,750



Rental Registration Fees

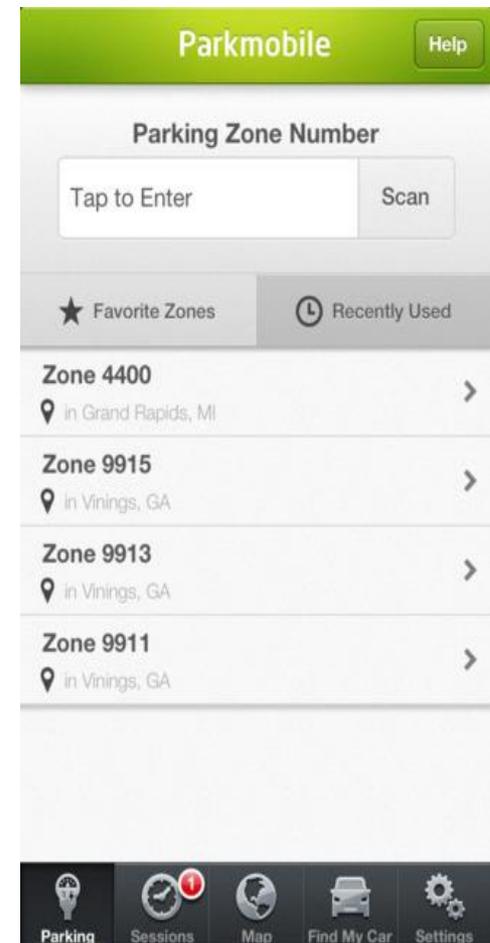
- ◆ Many jurisdictions in Florida, as well as around the Country, have adopted a rental registration fee to incentivize owners to foster responsible landlord behavior and sound, well-managed rental housing in the community
- ◆ In addition to revenue enhancement opportunity, allows local jurisdictions to have point of contact and roster of all rental properties in City to ensure nuisance or code violations addressed to enhance high quality neighborhoods and quality of life for residents

	Rental Registration Fees in Florida
Coral Springs	\$56 annually per parcel
Daytona Beach	\$40 application fee \$50 initial inspection fee/unit \$15 annual license renewal \$68 annual inspection
Gainesville	\$175.75 annually 50% discount for additional units on same parcel



Parking Fees

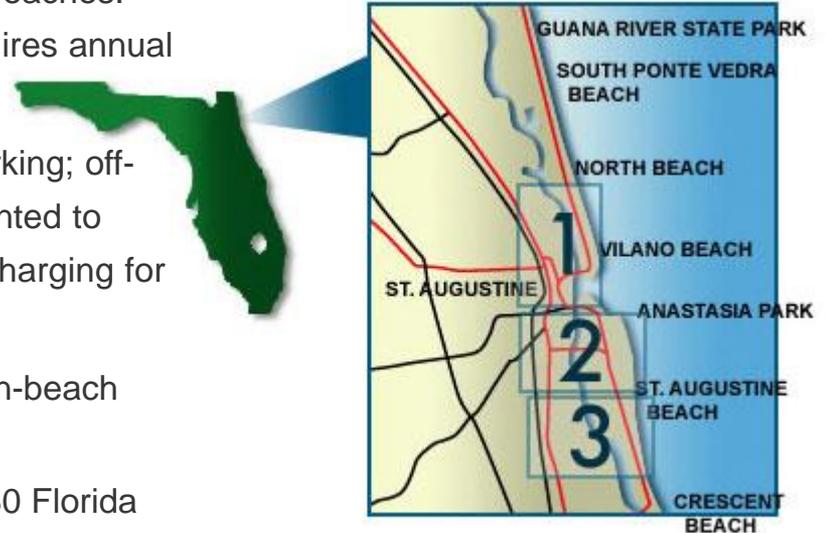
- ◆ Municipal/County off-street and on-street parking rates should be reviewed regularly to ensure that rates are in-line with the market
- ◆ If parking rates have not been examined in years, may represent cost recovery option
- ◆ Smart phone apps, such as *Parkmobile* and *PaybyPhone* can provide added convenience to customers and streamline collections





Off-Beach Parking Fees – St. Johns County, FL

- ◆ **Background:** St. Johns County possesses world-renown beaches. Beach services fund that maintains beaches, however, requires annual transfer from general fund
- ◆ **Issue:** St. Johns County has fee structure for on-beach parking; off-beach parking, however is provided at no cost. County wanted to explore potential non-tax revenue options associated with charging for off-beach parking
- ◆ **Approach:** Performed a holistic review of off-beach and on-beach parking revenue opportunities, including:
 - Benchmarked off-beach parking fee structures in approx. 80 Florida beach communities;
 - Created parking revenue projection model to forecast parking revenue in multiple scenarios;
 - Developed cost estimates for revenue sharing arrangement with potential contractor
- ◆ **Findings:** Recommended “base case” forecast to generate approximately. \$1.6 million in additional revenue to the County





Benchmarking

- ◆ Reviewed parking fees in approximately 80 Florida communities with beach access
- ◆ Charging for off-beach parking access found to be the standard practice
- ◆ Key justification for recommending a charge for off-beach parking

Examples of Off-Beach Parking Rates

Northeastern Florida

- New Smyrna Beach: \$10/day; \$100/year (non-residents only)
- Daytona Beach: \$1.50/hour; \$10/day (8 hours)

Tampa/St. Petersburg Area

- Pinellas County: \$5/day; \$75/year
- Hillsborough County: \$2/day; \$50/year

Southwest Florida

- Charlotte County: \$0.75/hour or \$53.50 annually
- Lee County: \$2/hour; \$60/year

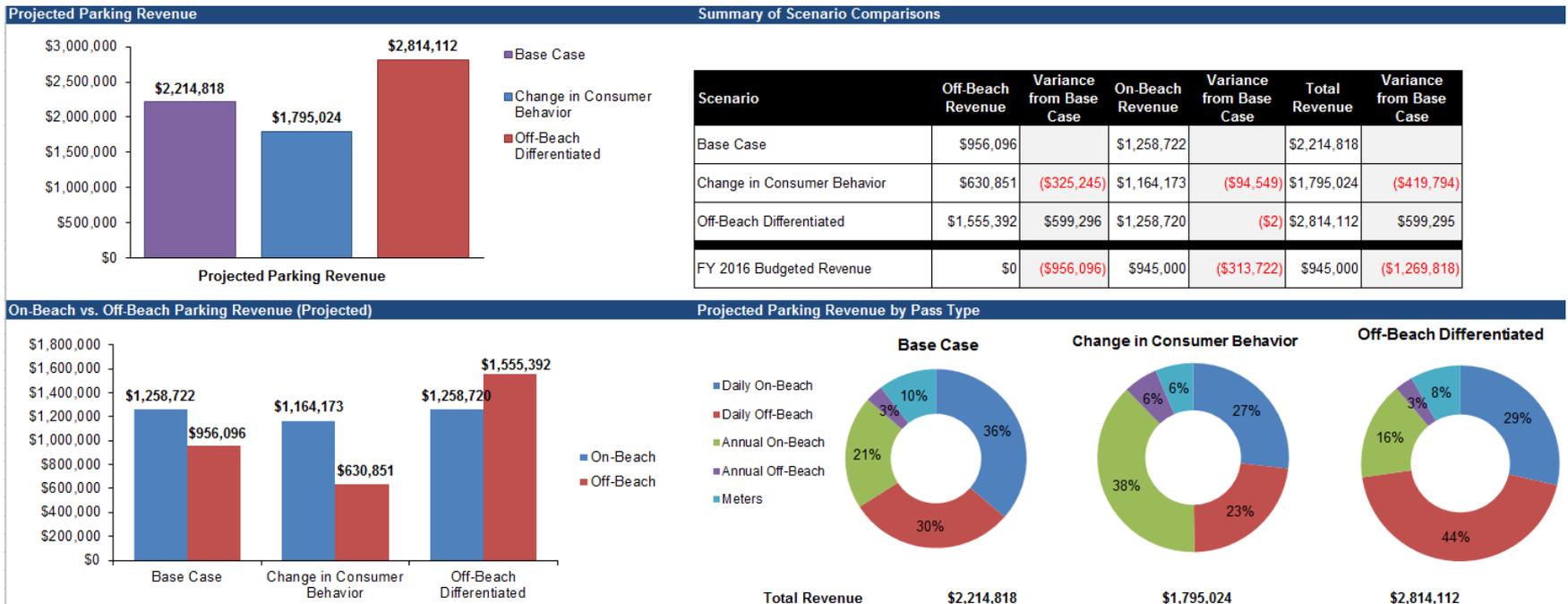
South Florida

- Miami-Dade County: \$6 or \$7/day (weekday/weekend or holiday); \$150/year



Parking Revenue Projection Model

- ◆ Dynamic revenue projection model forecast revenue for multiple scenarios. For example:
 - Fewer visitors to beaches because of poor weather
 - Changes in historical parking pass purchasing behavior (e.g., beach-goers purchase fewer daily passes, more annual passes)
- ◆ Segmented revenue by type of parking (on-beach vs. off-beach), pass type (e.g., daily vs. annual), as well as by scenario





Revenue Generation Scenarios

- Baseline scenario estimated to generate approx. \$1.6 million in revenue when accounting for costs of revenue collection (e.g., hiring of private parking services contractor) vs. approx. \$600,000 in FY 2016 budgeted net revenue (again, accounting for the cost associated with revenue collection)

Scenario	Off-Beach Revenue	Variance from Base Case	On-Beach Revenue	Variance from Base Case	Projected Gross Revenue	Variance from Base Case	Projected Net Revenue*
Baseline Forecast	\$956,096	-	\$1,258,722	-	\$2,214,818	-	\$1,614,068
Change in Consumer Behavior	\$630,851	-34.0%	\$1,164,173	-7.5%	\$1,795,024	-19.0%	\$1,194,274
Fewer Visitors to County Beaches	\$587,608	-38.5%	\$846,078	-32.8%	\$1,433,685	-35.3%	\$832,935
FY 2016 Budgeted Revenue	\$0	-	\$945,00	-24.9%	\$945,00	-57.3%	\$610,045

* -Reflects gross revenues less operating expenses for parking services provided by a private contractor or hiring of part-time employees to collect on-beach revenue