

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS

4A-2

AGENDA ITEM SUMMARY

Meeting Date: May 1, 2012 Consent Regular
Department: Administration Workshop Public Hearing

I. EXECUTIVE BRIEF

Motion and Title: Staff requests Board direction: on the implementation of a Charter County and Regional Transportation Surtax.

Summary: Eight different types of local discretionary sales surtaxes are currently authorized in law. Palm Beach County is one of only 9 counties, out of 67, that does not currently levy any local discretionary sales surtax. The Charter County and Regional Transportation System surtax provision is found in Section 212.055(1), Florida Statutes. This provision allows a charter county to levy a discretionary sales surtax, upon voter approval, of up to one percent. Proceeds from this transportation sales surtax may be applied to a wide range of county transportation uses (including operational uses) such as mass transit, roads, bridges, and associated debt service. A one-half percent (.5%) surtax will generate approximately \$103 million annually. The County may, but is not required to, enter into interlocal agreements with county municipalities to expend proceeds from the transportation surtax. The local discretionary sales surtaxes apply to all transactions subject to the state tax imposed on sales, use, services, rentals, admissions, and other authorized transactions. The surtax applies to the first \$5,000 of any single taxable item. The \$5,000 limitation does not apply to the rental of commercial real property, transient rentals, or services. Currently, transportation costs not covered by gas tax are funded through ad valorem tax (property owners). Visitors have a significant impact on the county's roadway and transportation systems, but pay no ad valorem taxes. Levying this surtax will partially shift the funding responsibility to these visitors and create opportunities for reduction of ad valorem taxes and/or funding of other needed programs. The tax can only take effect on January 1st. Consideration of this surtax will have no impact on the upcoming FY 2013 budget. August 10th is the deadline for ballot language for November election.

Countywide (PK)

Background and Policy Issues: Eight different types of local discretionary sales surtaxes (also referred to as local option sales taxes) are currently authorized in law and represent potential revenue sources for county and municipal governments and school districts. Previously, the County imposed the School Capital Outlay Surtax, which sunset in December 2010. The local discretionary sales surtaxes apply to all transactions subject to the state tax imposed on sales, use, services, rentals, admissions, and other authorized transactions authorized pursuant to Florida Statutes. Since FY 2007, there has been a significant shift, in the use of gas tax, from building/widening roads within the Road program to funding operating costs for Palm Tran. Gas tax allocated annually to the Road program fell from \$28 million in FY 2007 to \$9.5 million in FY 2012. In addition, annual road resurfacing funding has declined from \$6.5 million in FY 2007 to \$0.5 million in FY 2012. This is coupled with increasing Palm Tran needs, anticipated reduced future grant funding, and reductions in ad valorem tax funding. Therefore, staff has indentified this potential funding source to address future needs. (continued on page 3)

Attachments:

Recommended by:

Department Director

Date

Approved By:



County Administrator

4/24/12

Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years:	2012	2013	2014	2015	2016
Capital Expenditures					
Operating Costs					
External Revenues					
Program Income (County)					
In-Kind Match (County)					
NET FISCAL IMPACT					

ADDITIONAL FTE
POSITIONS (Cumulative) _____

Is Item Included In Current Budget? Yes ___ No ___

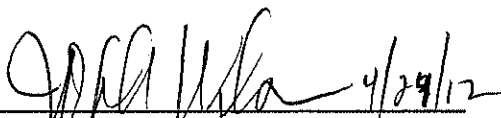
Budget Account No: Fund ___ Agency ___ Org. ___ Object ___

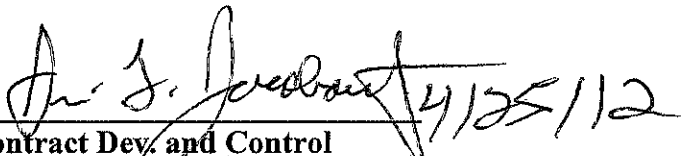
B. Recommended Sources of Funds/Summary of Fiscal Impact:

A .5% levy would generate approximately \$103 million annually.

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Dev. and Control Comments:


OFMB 4/29/12
okw 4/24


Contract Dev. and Control 4/25/12
4-25-12 B. Scheel

B. Legal Sufficiency:


Assistant County Attorney 4/25/12

C. Other Department Review:

Department Director

Background and Policies Issues (continued):

The following is a list of potential funding options/uses of the surtax.

	<u>Annually</u> <u>\$ Millions</u>
• Palm Tran	
✓ Increase frequency of existing service	
○ Capital Outlay (Federal Grants) \$15.0 million	
○ Operational Impact	10 - 12
✓ Expansion of existing weekday service hours	
○ Capital Outlay (Federal Grants) \$2.0 million	
○ Operational Impact	4 - 6
○ ADA Operational Impact	0.2
✓ Expansion of existing weekend service hours	
○ Capital Outlay (Federal Grants) \$0	
○ Operational Impact	2-4
○ ADA Operational Impact	0.2
✓ Expand or addition of new service areas	
○ Capital Outlay (Federal Grants) \$6.0 million	
○ Operational Impact	5 - 7
○ ADA Operational Impact	1
Sub-total	<u>\$22.4 – 30.4</u>
• Engineering	
✓ Resurfacing (County roads only)	\$ 10 - 12
✓ Reinstatement of Road Program Funding	
○ Arterial & intersection improvements/widening	25 - 30
○ Grade separations at key intersections countywide	25 - 40
✓ Major bridge projects - \$40 million total	4 - 8
✓ Traffic Signals – Replace aging signals with mast arms	2 – 5
✓ Central traffic control system – expands system and add more cameras	2 - 4
✓ Drainage improvements including meeting new federal guidelines	4 – 8
✓ New pathways/trails	1 – 2
✓ School related safety improvements	<u>1 – 2</u>
Sub-total	<u>\$ 74 - 111</u>
• Offset qualifying costs currently funded with ad valorem tax – Palm Tran and Engineering costs are not fully funded by gas tax. The FY 2012 budget includes ad valorem tax funding as follows:	
✓ Palm Tran -	\$ 18.3
✓ Engineering -	5.0
✓ Road & Bridge and Traffic -	13.6
✓ Mae Volen Transportation Agreement -	1.0
✓ Tri-Rail Operating Deficit -	1.6
✓ South Florida RTA Funding -	<u>2.7</u>
Sub-total	<u>\$ 42.2</u>

The Board would have discretion regarding the offset of this funding. The following are just some options: (1) use to fund other needed programs, (2) reduce existing gas tax, (3) reduce overall ad valorem tax funding, and (4) fund projected funding shortfalls.

Total potential funding options/uses of the surtax \$ 138.6 – 183.6