

**Merritt Island  
Initial Financial Projections  
For  
Incorporation Feasibility Study**  
Prepared by

**BJM Consulting, Inc.**

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**INTRODUCTION**

In January of 2023, Brevard County (Client) signed a letter of engagement with BJM Consulting, Inc. This agreement directed BJM Consulting, Inc. to produce an Initial Financial Projections for Incorporation Feasibility Study to submit to them for review prior to their consideration of a comprehensive feasibility study for incorporation. The study was developed through a series of tasks approved by the Client and was to provide an impartial assessment of the tasks and present the findings to the organization. The assigned tasks were:

- Prepare an initial financial feasibility report looking at the proposed area of Merritt Island
- Development of revenue analysis for proposed incorporated area
- Development of expenditure analysis for proposed incorporated area
- A pro forma presentation of revenue vs. expenditures, forecasted for the initial year of incorporation

Financial projections by BJM Consulting, Inc. are based on information provided by the client, Brevard County, and compared to projections provided by the State of Florida. In addition to developing these financial projections, BJM Consulting, Inc. reviewed many existing documents and reviewed all local government web sites to collect as much of the data necessary to provide the initial financial projections.

The final incorporation study will contemplate two possible alternatives to address all the future governance policy concerns of the residents of the

community of Merritt Island: they can remain part of unincorporated Brevard County; or look at the feasibility of incorporation. This initial report addresses only the General Fund financial side of the issue. If the client wishes to further examine incorporation, a more comprehensive study will be needed.

The fiscal analysis assumes a level of revenue generation for the possible incorporation by using all existing levels of taxation and fees being charged by Brevard County and no change in any of the service levels presently being provided by Brevard County in the community of Merritt Island.

BJM Consulting, Inc. extends its appreciation to the individuals and government officials who cooperated in providing data and information which was used in completing this report.

## DEVELOPMENT OF REVENUE ANALYSIS FOR MERRITT ISLAND

For the purpose of this study the revenue analysis is based on a population of 44,497 (US Census Data) and taxable value of \$4,672,272,550 for the proposed area of incorporation for Merritt Island.

### Municipal Revenues

Municipal governments utilize a wide variety of revenues to pay for services provided to their citizens. Responsible municipal governments attempt to balance their revenue sources to produce long-term solvency while utilizing a revenue mix that is compatible with local needs. Depending on these needs, municipal officials should conscientiously formulate a mix of revenues that will pay for municipal operations and services.

Florida's state constitution gives municipalities home rule authority in all areas except taxation. A municipality has the discretion to perform any public service, or enact any ordinance unless specifically prohibited by the state. The constitution restricts municipalities to levying taxes that specifically have been authorized by general law enacted by the Florida Legislature. The lone exception is property tax. It is the only local revenue source authorized by the constitution and is capped at 10 mills for general operating purposes. A mill is equal to \$1 of tax for each \$1,000 of taxable value.

The following is an overview of general fees and revenues typically available to a municipality.

### Ad Valorem Property Tax

Property taxes are based on the value of real and personal property. Each year the county property appraiser determines the total value of each parcel of property. The value of residential property is based solely on the value of the real estate, which includes the buildings and improvements, while commercial property includes these values in addition to all relevant personal property. This value is called "assessed value." After subtracting all lawful exemptions (i.e. Homestead, \$50,000; widow, \$500; widower, \$500; disability \$500 and others), the remaining value is called "taxable value."

Ad valorem taxes are based on taxable value. The property tax is calculated by multiplying taxable value of property by .001, and then multiplying that number by the rate of taxation, which is referred as "mills" or "millage rate." For example, for a home assessed at \$250,000 by the county property appraiser, the taxable value would be \$200,000 after deducting the \$50,000 Homestead exemption. If the municipality's millage rate were 5.0 mills, the property taxes would be \$1,000 ( $\$200,000 \times .001 = \$200 \times 5.0 \text{ mills} = \$1,000$ .)

All property taxes are due and payable on November 1 each year or as soon as the assessment roll is certified by the Brevard County Property Appraiser. Brevard County will mail each property owner a notice of taxes due to the city and the discount rate for paying taxes (4 percent if paid in November, 3 percent if paid in December, 2 percent if paid in January and 1 percent if paid in February.) There is no discount if taxes are paid in the month of March, and taxes are considered delinquent after April 1.

The Merritt Island area for incorporation taxable value for the 2023 tax year was estimated to be \$4,672,272,550. Based on this estimate, the City of Merritt Island tax revenues for fiscal year 2023 per one mill levied can be projected as follows:

Taxable value	\$4,672,272,550
<u>x the percent 0.95</u>	
Revised Taxable Rate	\$4,438,658,923
<u>x millage rate .001</u>	
Estimated Property Tax	\$4,438,659
Revenues at 1 mill for FY 2024	

#### Ad Valorem Property Tax Findings

Historically, Merritt Island property owners have taken advantage of the various discounts offered by the Brevard County Tax Collector. The certificate of taxable value does not account for such discounts; therefore, a 95 percent projection represents a reasonable and prudent estimate technique used by numerous local Florida governments.

For the purposes of this study, we will use the County's MSTU Millage: Merritt Island Recreation District MSTU 0.2684; Merritt Island Recreation District Debt MSTU 0.3801; Fire Control MSTU 0.5458; Law Enforcement MSTU 0.9660; Road and Bridge District 2 MSTU 0.1914; Merritt Island Library Taxing District Millage of 0.0681 added together as the original City of Merritt Island Millage of 1.8740. The County also presently charges a Residential Fire Assessment of \$391.93 a Residential Solid Waste Assessment of \$62.13 for disposal per Equivalent Residential Unit (ERU) and \$206.11 for collection and a Stormwater Assessment of \$51.20. The study contemplates the area residents would continue to pay for these services the same way after incorporation.

The new municipal area of Merritt Island will collect a millage of 1.8740 mills yielding a revenue of **\$8,318,047 for FY 2024.**

#### Public Service Tax

The Public Service Tax, also called the "Utility Tax", is another substantial revenue source. This tax is levied by the municipality on specific utility services collected by the utility provider, even if the provider is the municipality itself. The tax is incorporated into the utility bill and is based on relative consumption.

Section 166.231 of the Florida Statutes provides authority to assess a tax based on the purchase of electricity, telephone and telegraph, water and heating fuels (natural gas, propane, fuel oil and kerosene) at a rate not to exceed 10 percent.

#### Public Service Tax Findings

Because this tax has not been approved for use in unincorporated Brevard County the City of Merritt Island incorporation analysis does not include revenues associated with a Public Service Tax; therefore, implementation of the tax at a later date could produce two results--additional revenues to either support programs or reduce ad valorem property taxes.

#### Franchise Fees/Communication Service Tax

Franchise fees generate revenues in much the same way as the Public Service Tax. Franchise fees, however, typically are levied on a company or utility for the privilege of doing business within the municipality's jurisdiction and/or for utilizing a municipality's right-of-way to transact business.

#### Franchise Fees/Communication Service Tax Findings

Brevard County presently does levy franchise fees on utility services and also collects communication service tax (Telephone & Cable TV) from the State, but the county retains the revenues derived from the collection of these fees. If the area of Merritt Island is incorporated, it would share in the communication service tax revenues from the State and collect the revenues from the utility franchise fees paid by users within the proposed boundaries. A Communication Tax Ordinance would have to be enacted prior to September 1, 2024, to be effective January 1, 2025. Additional or increased fees adopted at a later date could produce one of two results -- additional revenues to either support municipal services or programs or reduce ad valorem property taxes.

Based on projections developed from using revenues projections for Brevard County's FY 2023 Budget; franchise fees/communication service tax revenue for the area of Merritt Island fiscal year 2024 are estimated at **\$4,676,513**

#### User Fees

The Florida Comptroller defines user fees as "voluntary payments based on direct measurable consumption of publicly provided goods and services." User fees are derived from charges for water, wastewater, natural gas, electricity, mass transit, garbage collection, parks and recreation, building inspections, public transportation, special public safety services and a variety of other services.

## Municipal Revenue Sharing

The Revenue Act of 1972 (Florida law, chapter 72-360) describes state revenues that are shared between counties and municipalities.

### "Eligibility Requirements

Pursuant to s. 218.23, F.S., a local government must meet the following requirements to be eligible to participate in revenue sharing beyond the minimum element in any fiscal year:

- 1) Report its finances for the most recently completed fiscal year to the Department of Banking and Finance, pursuant to s 218.32 F.S., (s. 218.23(1) (a), F.S.).
- 2) Make provisions for annual post audits of its financial accounts in accordance with law, pursuant to chapter 10.500 Rules of the Auditor General (s. 218.23 (1) (b), F.S.).
- 3) For local governments eligible in 1972, levy ad valorem taxes (excluding debt service and other special millage) that will produce the equivalent of three mills per dollar of assessed valuation, based on 1973 taxable values as certified by the property appraiser, or collect an

equivalent amount of revenue from occupational license tax, or a utility tax (or both) in combination with the ad valorem tax; or for municipalities eligible after 1972, the three mill equivalency requirements will be based upon the per dollar of assessed valuation in the year of incorporation (s.218.23(1)(c), F.S.).

4) Certify that its law enforcement officers, as defined in s. 943.10(1), F.S. meet the qualifications established by the Criminal Justice Standards and Training Commissions, its salary structure and salary plans meet the provisions of Chapter 943, Florida Statutes, and no law enforcement officer receives an annual salary less than \$6,000. However, the Department of Revenue may waive the minimum law enforcement salary requirements, if the municipality or county certifies that it is levying ad valorem taxes at 10 mills (s.218.23(1)(d), F.S.).

5) Certify that its firefighters, as defined in s. 633.30(1), F.S. meet the qualifications for employment established by the Division of State Fire Marshal pursuant to ss.633.34 and 633.35, F.S. and that provisions of s.633.382, F.S. have been met (s.218.23(1)(e), F.S.).

6) Certify that each dependent special district that is budgeted separately from the general budget of the local governing authority has met the provision for an annual post audit of its financial accounts in accordance with the provisions of law (s.218.23(1)(f), F.S.).

7) Certify to the Department of Revenue that the requirements of s.200.065,

F.S. ("TRIM") are met, if applicable. This certification is made annually within 30 days of adoption of an ordinance or resolution establishing the final property tax levy, or if no property tax is levied, not later than November 1 (s.218.23 (1)(f), F.S.).

8) Notwithstanding the requirement that municipalities produce revenues equivalent to a millage rate of three mills per dollar of assessed value (as described in paragraph three), no unit of local government that was eligible to participate in revenue sharing in the three years prior to participating in the Local Government Half-Cent Sales Tax shall be ineligible to participate in revenue sharing, solely due to a millage or a public service tax reduction afforded by the Local Government Half-Cent Sales Tax (s.218.23(3), F.S.)."

Pursuant to s. 218.21(3), F.S., all municipalities created pursuant to general or special law and metropolitan and consolidated governments as provided in Section 6(e) and (f) of Article VIII, Florida Constitution (i.e. Metro-Dade and Jacksonville-Duval,) are eligible to participate in Municipal Revenue Sharing Program if they fulfill the necessary eligibility requirements.

However, a number of other governmental entities are judged ineligible to receive municipal revenue sharing funds. For example, Attorney General Opinion 77-21 stated that municipal service taxing units (MSTUs) sometimes referred to as municipal service benefit units (MSBUs) are not eligible to receive funds from the Municipal Revenue Sharing Trust Fund. Two additional options determined that both regional authorities (AGO 74-367) and other authorities such as housing

authorities, (AGO 73-246) also are ineligible to receive municipal revenue sharing dollars.

If a local government fails to comply with the eligibility requirements, s 218.23(1)(f), F.S. provides that the revenue sharing funds forfeited by the local government shall be deposited in the General Revenue Fund for the 12 months following a determination of noncompliance by the Department of Revenue. More typically, the revenues for an ineligible government are distributed among the remaining eligible governments until the causes for ineligibility are determined and rectified, at which time the city or county is refunded the dollars that were disbursed among all eligible municipalities or counties.

The amount and type of revenues shared with an eligible municipality is determined by the following procedure.

First, a municipality's entitlement shall be computed on the basis of the apportionment factor provided in s.218.245,F.S., and applied to the receipts in the Municipal Revenue Sharing Trust Fund that are available for distribution. The resulting amount is labeled entitlement money. This is the amount of revenue, which would be shared with a unit of local government if the distribution of the revenues appropriated were allocated on the basis of the formula computations alone.

Second, the revenue to be shared via the formula in any fiscal year is adjusted so no municipality receives less funds than the aggregate amount it received from the state in fiscal year 1971-72. The resulting amount is labeled guaranteed entitlement or hold harmless money. Those municipalities incorporated subsequent to 1972 receive no guaranteed hold harmless money.

Third, revenues shared with municipalities shall be adjusted so that no municipality receives less funds than its minimum entitlement, the amount of revenues necessary to meet its obligations as a result of pledges, assignments or trusts entered into which obligated funds received from revenue sharing sources.

Fourth, after making these adjustments and deducting the amount committed to all eligible municipalities, the remaining money in the trust fund is distributed to those municipalities that qualify to receive growth money. This final distribution to those eligible municipalities that qualify to receive additional money beyond the guaranteed entitlement is based on the ratio of additional money of each qualified municipality in proportion to the total additional money of all qualified municipalities.

#### Summary

In summary, the total annual distribution to a municipality, depending on the formula, will yield various combinations of guaranteed entitlement and/or growth money (associated with new construction):



- 1) Guaranteed entitlement money PLUS growth money,
- 2) Guaranteed entitlement money only, or
- 3) Growth money only.

However, the final distribution is dependent on actual collections.

#### Authorized Uses

According to the Department of Revenue, municipalities may assume that 35.2 percent of their total estimated Municipal Revenue Sharing distribution fiscal year 1996-97 is derived from the Municipal Gas Tax. Thus, at least 24.86 percent of each municipality's revenue sharing distribution must be expended on transportation-related purposes.

As a second restriction, municipalities are limited in the amount of revenue sharing dollars that may be bonded. Municipalities are allowed to bond only the guaranteed entitlement portion of the distribution. This hold harmless provision of the municipal revenue sharing program guarantees a minimum allotment and thereby ensures coverage of all bonding obligations to eligible governments that qualified for revenue sharing dollars before 1972. This provision does not apply to municipalities qualifying for the revenue sharing program after 1972.

Municipalities incorporated after 1973 that wish to qualify for revenue sharing funds must demonstrate local tax effort by using the taxable value of the municipality for the year of incorporation time's three mills. Obviously, a municipality incorporating after 1973 must demonstrate significantly higher actual ad valorem tax effort than municipalities that have been in the program since its inception.

#### Municipal Revenue Sharing Findings

Based on projections from the State of Florida Department of Revenue--Office of Tax Research, municipal revenue sharing money for the town of Merritt Island in fiscal year 2024 are estimated at **\$719,239**.

#### Local Government Half-Cent Sales Tax

Chapter 82-154, Laws of Florida, created the Local Government Half-Cent Sales Tax Program. This program generates a significant amount of revenues for local governments by distributing sales tax revenue and money from the state General Revenue Fund to counties and municipalities that meet strict eligibility requirements. The primary purpose of the tax is to provide relief from ad valorem and public sewer taxes in addition to providing revenue for local programs.

#### Eligibility Requirements

A county or municipality must satisfy the following requirements (spelled out in s.218.63, F.S.) to be eligible to receive an ordinary distribution:

1) Qualify to receive revenue sharing funds by satisfying all requirements contained in s.218.23 F.S. However, a municipality incorporated subsequent to the effective date of Chapter 82.154, Laws of Florida (April 19, 1982), which does not meet the applicable criteria for incorporation pursuant to s. 165.061, F.S. shall not participate in Local Government Half Cent Sales Tax.

2) Meet the millage limitation requirements outlined in s.200.065, F.S.

### **Local Government Half-Cent Sales Tax Findings**

Based on projections from the State of Florida Department of Revenue Office of Tax Research, the half-cent local government sales tax distribution to the area of Merritt Island in fiscal year 2024 is estimated at **\$2,906,792**

The state estimates half-cent sales tax at 100 percent of distribution. Variation between projections and actual results are due to the combined effect of reconciling state and local Fiscal years, as well as the seasonal nature of sales tax collections. A more reasonable and prudent technique would be to project half-cent sales tax fund at 95 percent of the state estimate.

### **Licenses and Permits**

#### **Business tax Receipt**

According to Section 205.042, Florida Statutes, "The governing body of an incorporated municipality may levy, by appropriate ordinance or resolution, an occupational license tax for the privilege of engaging or managing any business, profession or occupation within its jurisdiction."

The occupational license tax is designed specifically to raise revenue and should not be confused with the regulatory fees referred to in Section 166.221, Florida Statutes.

Occupational license tax revenues during the pre-1970s contributed a greater portion of the municipal revenue stream than at the present time. In 1972, the Legislature froze all license rates as they were in place on Oct. 1, 1971. In 1980, the Legislature allowed local governments to raise the rates of licenses with flat rates according to a three-tier schedule; 100 percent increase for rates \$100 or less, 50 percent increase for rates between \$101 and \$300, and a 25 percent increase for rates of more than \$300. In 1982, the Legislature allowed graduated or per unit rates to increase up to 25 percent. In 2006 it was change to the Business Tax Receipt by the legislature.

#### **Insurance Agent Licenses**

Florida Statutes (F.S. 624.507) authorize municipalities to require license fees not to exceed 50 percent of the State License tax specified by statutes, for agents operating within municipal boundaries.

### Alcohol Beverage License

Thirty-eight percent of all alcoholic beverage license revenues collected by the state from within a municipality are returned to the municipality.

### Permits

Municipalities charge permit fees for a variety of land use services, including building and related construction, planning, stormwater and zoning services. These are as delineated below:

A) Building and Related Construction Permits Includes revenue for issuance of all building, plumbing, electrical, mechanical, heating/air conditioning and similar construction permits.

B) Stormwater Fees charged for review and inspection of projects requiring stormwater Management permits.

C) Zoning and Related Fees includes all fees collected for rezoning requests, variances, special exceptions, etc.

D) Planning Fees include comprehensive plan compliance/concurrency reviews, planned unit development, etc.

### Licenses, Business Tax and Permits Findings

This report does not include revenues associated with permits because these fees typically are revenue neutral. Revenues raised from this source would pay for inspections, processing and plan review functions that will initially be provided by Brevard County staff through interlocal agreement. The report does include Business Tax Receipt revenues for **FY 2024 of \$66,912.**

### Fines and Forfeitures

This revenue category includes receipts from fines and penalties imposed from the commission of statutory offenses, violation of lawful administrative rules and regulations and for neglect of official duty. Fines include court fines, library fines, pollution control violations and violations of local ordinances. Forfeitures include revenues resulting from confiscation of deposits or bonds held as performance guarantees and proceeds from sale of contraband property seized by law enforcement agencies.

### Fines and Forfeitures Findings

This report does not include revenues associated with such fines. The question of a lack of a municipal police force raises doubt as to the Town's ability to be eligible for such funds.

### Motor Fuel Tax Refund

Florida Statutes provide for the first five cents of state gas tax paid by a municipality to be returned to the municipality for use in its vehicles.

### Motor Fuel Tax Refund Findings

This revenue source will not be significant to the City of Town of Merritt Island due to the proposed limitation on city vehicular equipment.

### Investment Income

Revenues derived from investment of cash receipts and idle funds are an important, yet often overlooked source of revenue. Many local governments are recognizing the importance of establishing effective cash management/treasury programs and are restructuring their government operations to accelerate revenues, promote aggressive revenue collections and maximize cash flow.

### Investment Income Findings

This study incorporates investment income of **\$25,000 for FY 2024**.

### Contributions and Donations

This revenue category is comprised of various sources primarily gifts, pledges, bequests or grants from non-governmental entities. Due to the nature of this category, revenue derived from these sources can fluctuate greatly from one year to the next.

### Contributions and Donations Findings

Contributions and donations generally are considered revenue neutral because those making the donation typically earmark them for specific programs or services.

### Miscellaneous Revenue

The miscellaneous revenue category includes a variety of less important sources, such as permit fees, non-occupational license fees, rents, royalties, special assessments, the sale of assets, insurance compensation, etc.

### Miscellaneous Revenue Findings

There is no attempt by this report to project such revenue. This is a reasonable approach considering the difficulty in developing stable projections.

### Local Option Gas Tax

Municipalities in Florida Counties share in the county's 6-cent local option tax on motor fuel and special fuel. The county uses its portion for maintenance of existing roads. The cities use their share for general transportation purposes. There is a statutory formula that establishes a minimum portion to be shared with each city.

An opinion from the Florida Attorney General States in part the following:

Section 336.025, F.S. (1992 Supp.), allows counties to impose a local option gas tax upon every gallon of motor fuel and special fuel sold in a county and taxed under the provisions of Part I or Part II, Ch. 206, F.S. (1992 Supp.).[2] Only those municipalities and counties eligible for participation in the distribution of moneys under Parts II and VI of Ch. 218, F.S., are eligible to receive moneys under this section.[3]

A county may levy the tax by ordinance adopted by a majority vote of the governing body or approval by referendum.[4] Under this procedure,

"[t]he county may, prior to June 1, establish by interlocal agreement with one or more of the municipalities located therein, representing a majority of the population of the incorporated area within the county, a distribution formula for dividing the *entire* proceeds of the local option gas tax among the county government and all eligible municipalities within the county."[5] (e.s.)

In the absence of an interlocal agreement, the county may, prior to June 10, adopt a resolution of intent to levy the tax.[6] If no interlocal agreement or resolution is adopted, municipalities representing more than 50 percent of the county population may, prior to June 20, adopt uniform resolutions approving the local option tax, establishing the duration of the levy and the rate authorized, and setting the date for a countywide referendum on whether to impose the tax.[7] In the event the tax is levied by county resolution or by uniform resolutions of the municipalities, the proceeds of the tax must be distributed "among the county government and eligible municipalities based on the transportation expenditures of each for the immediately preceding 5 fiscal years." [8] Any newly incorporated municipality which is eligible for participation in the distribution of moneys under Parts II and VI, Ch. 218, F.S., located in a county levying the local option gas tax is also entitled to receive a share of the tax revenues.[9]

#### Local Option Gas Tax Findings

Based on the existing law and the interlocal agreements Florida Counties have established with the cities within the counties the ability to share this tax, it is not clear exactly what formula was used. It is clear the distribution of this revenue is developed through political negotiations and trying to estimate what the area of Merritt Island portion would be, at best, more art than science.

With this understanding this study decided to project the Local Option Gas Tax revenues in our revenue projection for the area of Merritt Island. Local Option Gas Tax of **\$974,110 to be used for major road maintenance.**

Of course, this decision will ultimately be determined by the newly elected city council and the Brevard County Commissioners.

### Infrastructure Sales Surtax

Brevard County presently does not charge an Infrastructure Surtax and shares the revenue collected with the cities within the County. This is done through an existing formula. The use of these funds is limited by law and would not be available to support general fund expenditures.

### Infrastructure Sales Surtax Findings

Since the County is not presently charging this tax there is no projected estimate in the report.

### Merritt Island Library Taxing District

Merritt Island Library Taxing District was established by House Bill No. 1079, Chapter 2005-321, Laws of Florida, the Board was created in 1965 as a 15-member Board appointed by governor; the separate Board and taxing district (imposition of a tax not to exceed one-half of 1 mill (FY23 millage rate is .0681 (\$6.81 for \$1,00 of taxable value)

### Merritt Island Library Taxing District Finding

The new City could attempt to merge this function into the new local government, this would have to be addressed in the new city charter. Either way the .0681 millage would go towards the required 3 mills necessary to participate in the State Shared Revenues.

## DEVELOPMENT OF EXPENDITURE ANALYSIS FOR MERRITT ISLAND

### Municipal Expenditures

Municipal government expenditures cover a wide variety of areas. Specific areas, however, are largely dependent upon the desires and needs of the citizenry and are formulated by the municipality's elected officials. General expenditure categories for the area of Merritt Island will be presented within specific expenditure groups and subgroups as reported in the Florida Local Government Financial Report, which is prepared annually by the Florida Comptrollers Bureau of Local Government Finance.

### General Government

The general government category includes the legislative, judicial and administrative functions of the municipal government for the benefit of the public and governmental entity as a whole. This includes total expenses for elected officials, city manager, city clerk, finance, administrative, legal counsel, comprehensive planning, elections and insurance.

### Public Safety

This category also includes police and sheriff's department services, corrections, fire prevention, municipal fire services and/or contractual payments for firefighting services from other entities. Public safety is the largest single expense area for Florida's municipalities and has shown sizable increases during the past several years. With Florida's growing population and increased demands for improved law enforcement and fire protection, this area is expected to continue to grow.

### Utilities

Municipal utilities in this context refer to basic user fee services associated with enterprise fund operations of water, sewer, electric and natural gas.

### Solid Waste

Three components fall under the function of solid waste: collection, disposal and recycling.

The collection aspect can take several forms. Many years ago, back door collection was the primary method. As personnel costs steadily grew, municipalities were forced to find cheaper and more cost-efficient methods. Today, the majority of municipalities utilize curbside collection, or they contract with a private hauler to perform all or part of the operation. In larger multi-family complexes, dumpster service is now the industry standard.

Solid waste disposal has become increasingly complex and expensive in recent years, following the passage of state and federal environmental laws. Due to these actions, virtually all municipalities have moved away from landfill operations, and this has become a county function or service provided by independent districts that operate from larger tax or population bases.

While recycling of discarded goods has been performed for many years in Florida, the passage of the state's Solid Waste Management Act in 1988 has prompted the emergence of highly organized recycling programs. This act requires, among many other things that communities initiate and achieve specified levels of recycling to reduce the volume of solid waste taken to landfills.

### Roads and Streets

The construction, maintenance and improvements of the road and street network are the most expensive area of the various transportation related expenditures (other transportation related expenses are addressed in Miscellaneous Expenses). Specific expense areas associated with the road and street network include roadway and right of way operations and maintenance, roadway and right of way drainage, street lighting, traffic signage and signalization, pavement markings, traffic engineering and bridge maintenance.

Municipal road responsibilities are assigned by the state of Florida through a system termed "functional classification." The functional classification system specifies that municipalities are responsible for the city street network. Basically, this includes all local residential streets, and short distance connecting roads. It does not include roads, which are part of the state highway system, even though they may fall within municipal boundaries.

### Stormwater and Environment

This category includes only the master drainage system, flood control and environmental related expenses incurred by the municipal government. It does not include the costs associated with stormwater runoff attributable to roads, streets or roadside drainage.

In the past, stormwater-related functions were traditionally handled as a general government service funded through the municipality's general fund. Recently some local governments have established a stormwater function as a full-fledged utility operation. The utility is placed in a separate enterprise fund with revenues generated from monthly billings on the municipality's traditional water and sewer bills or as a separate stormwater bill.



### Economic Improvement

The economic improvement category is a collection of related services associated with developing and improving the economic condition of the municipality and its residents. It includes programs such as: employment training, job search, downtown and industrial development/improvement, housing and urban development, etc. These expenses are related only to those programs directly served by the municipality and exclude those performed by independent districts and authorities, which often are located within and named after the municipality.

### Human Services

Human service expenditures pertain to those costs associated with the provision for the care, treatment and control of human illness, injury, or handicap, and for the welfare of the municipality and its residents. This category includes all municipal costs to operate hospitals, health and rehabilitation, diagnosis and treatment of mental illness, and economic assistance to the indigent.

The function of human service assistance is primarily funded and administered by county agencies (as a function of state government) and by independent authorities and districts.

### Culture and Recreation

Culture and recreation is a general category combining the expenditures of libraries, parks, recreation, cultural services, special events and special recreation facilities.

### Debt Service

Debt Service is shown as a separate category due to the reporting requirements of the Florida Comptroller's Local Government Financial Report, which shows it separately rather than by functional category. This category reflects those funds spent toward principal, interest, and various handling fees associated with municipal bond issues.

The four basic forms of long-term debt are: general obligation (G.O.) bonds, revenue bonds, general revenue bonds and special tax bonds.

G.O. bonds also are known as "full faith and credit bonds" because their repayment is unconditional and based on general credit and taxing powers of the borrowing government. Since the power to levy and collect property taxes provides the basic security to these bonds, they require voter approval. G.O. bonds generally carry the lowest interest rates, and typically are used to finance general-purpose public buildings, roads, and criminal justice complexes.

Another form is a revenue bond. These are obligations in which repayment of

debt service is entirely from user fees of an enterprise operation. The most common municipal issues are for water, wastewater, electric, parking garages, civic centers, stadiums and airports.

A third type of long-term debt is a general revenue bond. This is a cross between a G.O. and a revenue bond. Like a revenue bond, it does not require a referendum; yet like a G.O. bond, it has the full faith and credit of a specific or a percentage of all general funds, non-ad valorem revenues.

A final type is the special tax bond. It, too, is similar to a G.O. bond in that it often is used for general government purposes and the repayment revenue is from a source unrelated to the project. Special tax bonds are payable from a specifically pledged tax, usually a local option sales tax or tourist tax.

#### Miscellaneous Expense

This category consists primarily of smaller budget functions or those, which are not widely utilized by a significant number of municipalities. These include airports, port facilities, commercial docks, mass transit systems, traffic flow enhancement services, parking facilities and miscellaneous general government services not itemized within that category.

#### Findings for Expenditure Analysis

This report includes administrative and finance expenditures, an additional contract cost for growth management, code enforcement, professional planning services, and general government support from BrevardCounty. These expenditures are for a combination of municipal employees and contractual services as shown below.

#### Municipal Employees

<b>Position</b>	<b>Proposed Salary</b>
City Manager	\$165,000
Assistant City Manager Contract Specialist	135,000
Finance Director/Comptroller	115,000
City Clerk/Treasurer	105,000
Administrative Assistant	65,000
Total Salaries	\$585,000
Benefits @ 35%	<u>204,750</u>
<b>Total Salary and Benefits</b>	<b>\$789,750</b>

### Contractual Services

<b>Contract Services</b>	<b>Proposed Cost</b>
Legal Services	\$200,000
Growth Management	\$150,000
Professional Services	<u>\$150,000</u>
<b>Total</b>	<b>\$500,000</b>

The original projected salaries for administrative staff were within the average salary for Florida cities with population between 15,000 to 25,000 residents. The projected contract costs for growth management, planning and code compliance could employ one full-time planner and operating costs, rather than contracting for services.

The proposed administrative and finance expenditures can be delineated as follows:

Personnel w/benefits	\$789,750
Mayor and Council Salary	30,000
Contract Services	500,000
Local Government Operating @ 29%	959,750
Insurance	75,000
Local elections	65,000
Audit	35,000
Capital (one time)	10,000
Contingency @ 0.083	203,724
Loan Payment	<u>107,820</u>
<b>Total</b>	<b>\$2,776,044</b>

The above costs include all relevant expenditure categories, coupled with one month of expenses contingency factor, appear reasonable to assume the administrative and financial activities for the area of Merritt Island.

The final major expenditure category--parks and recreation--will continue to be provided through an interlocal agreement with Brevard County or a private sector vendor and be paid for with area of Merritt Island general revenues.

The following is the first year (FY/2024) projections for revenues and expenditures necessary for the area of Merritt Island for a full year of operations.

**Revenues**

State Shared Revenue	\$	3,626,031
Communication Service Tax	\$	1,214,053
Franchise Fees	\$	3,462,460
Business Tax Receipts	\$	66,912
Interest Earnings	\$	25,000
Bridge Loan	\$	1,000,000
Ad Valorem Property Taxes		
Total Revenues for One Year	\$	9,394,457

**Expenses**

City Staff Salary and Benefits	\$	789,750
Mayor and Council Salary	\$	30,000
Contract Services	\$	500,000
Local Government Operating Cost @ 29%	\$	959,750
Interlocal with County		
Local Elections	\$	65,000
Insurance	\$	75,000
Audit	\$	35,000
Capital Equipment (One Time)	\$	10,000
Contingency	\$	203,724
Loan Payment	\$	107,820
Total Expenses for One Year	\$	2,776,044

**Reserves** \$ 6,618,413

This projection shows the cost of operating the new local government is covered by the redirection of existing State Shared Revenues, Franchise Fees, Communication Services Tax, and Business Tax Receipts during the first 12 months and creates a Surplus of \$6,618,413. To increase the reserves during the initial years of the new local government and cover any initial short falls in startup cash the new municipality would have to take out a \$1 million Bridge Loan @ 3% and pay it back during the first 5 years.

## **IMPACTS OF PROPOSED INCORPORATION OF MERRITT ISLAND**

### **On Residents and Businesses of New Incorporated Area**

The initial impacts on residents of Merritt Island would be very limited. There would be no new ad valorem taxes. Some businesses would be charged an additional annual Business Tax Receipt (BRT) or city license annually. These would be businesses who operate in both Merritt Island and Brevard County.

### **On Other Brevard County Local Governments**

Brevard County would lose \$8,318,047 of ad valorem taxes in FY 2025 and recover the entire amount through the interlocal agreement with the new city. In addition, Brevard County would lose \$3,626,031 in SSR Fees and \$4,676,792 in Communication Services Tax and Franchise Fees for an annual loss of \$8,302,823 the general fund. The County would have to find efficiencies in operations, reduce services or raise General Fund Revenues to deal with this loss

The City of Cape Canaveral \$17,553 in SSR, Cocoa would lose \$34,922 in SSR, Cocoa Beach would lose \$20,096 IN SSR, Grant-Valkaria will lose \$7,922 in SSR, Indialantic would lose \$5,300 in SSR, Indian Harbour Beach would lose \$15,883 in SSR, Malabar would lose \$5,252 in SSR, Melbourne would lose \$151,852 in SSR, Melbourne Beach would lose \$5,696 in SSR, Melbourne Village would lose \$1,219 in SSR, Palm Bay would Lose \$216,717 in SSR, Palm Shores would lose \$2,099 in SSR, Rockledge would lose \$49,059 in SSR, Satellite Beach would lose \$20,015, Titusville would lose \$86,976 in SSR, West Melbourne would lose \$49,241 in SSR in their General Fund Revenues and would have to find efficiencies in operations, reduce services or raise General Fund Revenues to deal with this loss.