

**Indian River County
Interoffice Memorandum
Office of Management and Budget**

To: Members of the Board of County Commissioners

Through: John A. Titkanich Jr., County Administrator

Date: June 29, 2023

From: Kristin Daniels
Director, Office of Management & Budget

Subject: Consideration of Levying an Additional Cent of Tourist Tax

Description and Conditions

On June 20, 2023, the Board of County Commissioners requested Staff to evaluate how a potential additional cent of Tourist Tax could be spent, as well as provide a 10-year history of the revenues and expenses incurred in the Beach Restoration Fund.

Per Florida Statute 125.0104 the County currently levies four cents of Tourist Tax. Those four cents are split amongst three funds. The Beach Restoration Fund receives 1 5/6th cents, the Tourism Development Fund receives 1 2/3rd cents, and the Jackie Robinson Training Complex (JRTC) Fund receives one-half of a cent. According to the statute, Indian River County is able to levy what is referred to as the “sixth cent”, which would be the fifth cent of Tourist Tax levy for the County. The following table illustrates the allowable uses for each cent per the statute.

Eligible Usage Categories	1st or 2nd	3rd	4th	6th
Sports Stadium Maintenance/Capital	X	X		
Sports Stadium Capital	X	X	X	X
Tourism Promotion	X	X	X	X
Beach Restoration	X	X		

Beach Restoration Fund History

As mentioned previously, the Beach Restoration Fund receives the largest allocation of Tourist Tax revenue totaling 1 5/6th cents, or \$1,897,362, for the upcoming fiscal year. Revenue for this fund is also derived from Federal Emergency Management Agency (FEMA) grants, Florida Department of Environmental Protection (FDEP) grants, insurance proceeds, and other miscellaneous revenues, as qualifying events occur. Although the fund receives revenues from multiple different sources, the timing of grants reimbursements has posed a challenge to fund balance. Currently, the Beach Restoration Fund has a negative fund balance of approximately \$3.9M, with \$14.3M in reimbursable grants owed to the County, leaving the estimated fund balance after receivables at approximately \$10.4M. With the Board’s recent decision to terminate the Sector 7 project as previously designed, sufficient funding remains to renourish the sand loss attributed to Hurricanes Ian and Nicole on Sectors 3, 4 and 5. Furthermore, the release of FDEP grant 23IR2 is scheduled to fund the local match for these projects resulting in minimal costs to the County. The table below illustrates the amount of revenues and expenses incurred over the last ten years in the Beach Restoration Fund.

Revenue Type	Amount Received	Expense Type	Amount Expenses
Tourist Tax	\$10,545,831	Personnel Services	\$1,730,022
Grants	\$8,198,643	Contractual Services	\$5,841,427
FEMA Proceeds	\$2,830,700	Operating Expenses	\$74,358
Insurance Proceeds	\$5,021,506	Other Expenses	\$310,165
Miscellaneous Rev.	\$2,811,318	Capital Expenses	\$33,386,619
Total Revenues	\$29,407,998	Total Expenses	\$41,342,591

The following beach renourishment projects have been completed over the last ten years:

- Sector 3 – Dune Only Project Completed in 2015
 - \$3,689,363 for 182,431 cubic yards of sand placement
 - Post Hurricane Sandy
- Sector 5 - Beach Renourishment Completed in 2020
 - \$7,114,883 for 166,176 cubic yards of sand placement
 - Post Hurricanes Matthew, Irma and Dorian
- Sector 3 - Beach Renourishment Completed in 2022
 - \$21,511,453 for 522,186 cubic yards of sand placement
 - Post Hurricanes Matthew, Irma and Dorian

JRTC Lease Obligation

Currently, per the County's lease agreement with the JRTC, the County is obligated to provide \$800,000 per lease year to fund \$200,000 in maintenance expenses and \$600,000 in capital expenses. In order to satisfy this contractual obligation, the County allocates one-half cent of Tourist Tax proceeds totaling approximately \$500,000 with the remaining \$300,000 being funded by Optional Sales Tax revenues. On September 1, 2023 the County's annual lease obligation will decrease from \$800,000 to \$400,000, thus the current one-half cent of Tourist Tax proceeds (\$517,500) allocated to the fund will not be fully utilized.

In order to carry out the Board's direction to appropriate as much Tourist Tax funding as possible to the Beach Restoration Fund, Staff recommends the Board consider decreasing the amount of Tourist Tax allocated to this fund. Reducing the allocation to one-quarter of a cent will generate \$258,750 which sufficiently covers the maintenance portion of the County's lease obligation (\$200,000). Staff recommends the remaining \$141,249 be funded from Optional Sales Tax revenues. This frees up one-quarter of a cent, or \$258,750, to be allocated to the Beach Restoration Fund.

Proposed Allocation – 6th Cent

As mentioned previously, the County has the ability to levy what is referred to in Florida Statute 125.0104 as the "sixth cent". This additional cent of Tourist Tax proceeds would generate approximately \$1M in FY 23/24. Although the revenue from this sixth cent, per statute, is only permitted to fund the debt service on bonds related to a professional sports franchise or retained spring training facility, or promote and advertise tourism in the state, nationally and internationally, the current allocation of each cent can be redistributed in order to allow the maximum amount possible to be allocated towards the Beach Renourishment Fund. In order to levy this additional cent, there must be a super majority vote in favor of the levy, as well as a change to the County's code. If the Board so chooses to levy the additional cent, Staff proposes the allocation below.

Eligible Usage Categories	1 st or 2 nd	3 rd	4 th	6 th	Total
Sports Stadium	0.25				0.25
Tourism Promotion			1.0	1.0	2.0
Beach Restoration	1.75	1.0			2.75
Total	2.0	1.0	1.0	1.0	5.0

The following table illustrates the changes to each fund's Tourist Tax revenue allocation which includes the additional cent.

Eligible Usage Categories	4 Cents Funding	5 Cents Funding	Increase/ (Decrease)	% Increase/ (Decrease)
Sports Stadium	\$517,500	\$258,750	(\$258,750)	(50%)
Tourism Promotion	\$1,725,138	\$2,070,000	\$344,862	20%
Beach Restoration	\$1,897,362	\$2,846,250	\$948,888	50%
Total	\$4,140,000	\$5,175,000	\$1,035,000	25%

This scenario decreases the JRTC funding to cover the reduced amount necessary to fund the annual lease obligation, allocates an additional \$344,862 or 20% to the Tourism Development Fund, and allocates an additional \$948,888 or 50% to the Beach Renourishment Fund. In order to continue funding the expenses Indian River County currently funds utilizing Tourist Tax revenues, the fourth and sixth cents can only be used for Tourism Promotion, therefore by levying all five cents, two cents will always be the minimum allocated to this fund.

Reallocation of Existing Four Cents

In the event the Board chooses not to levy the additional cent of Tourist Tax, Staff recommends the reallocation of the existing four cents in order to maximize the amount allocated to the Beach Renourishment Fund.

Eligible Usage Categories	1 st or 2 nd	3 rd	4 th	Total
Sports Stadium	0.25			0.25
Tourism Promotion	0.67		1.0	1.67
Beach Restoration	1.08	1.0		2.08
Total	2.0	1.0	1.0	4.0

The following table illustrates the changes to each fund's Tourist Tax revenue allocation levying only the first four cents per statute.

Eligible Usage Categories	4 Cents Funding	4 Cent Reallocation	Increase/ (Decrease)	% Increase/ (Decrease)
Sports Stadium	\$517,500	\$258,750	(\$258,750)	(50%)
Tourism Promotion	\$1,725,138	\$1,725,138	\$0	0%
Beach Restoration	\$1,897,362	\$2,156,112	\$258,750	13.6%
Total	\$4,140,000	\$4,140,000	\$0	0%

This scenario decreases the JRTC funding to cover the reduced amount necessary to fund the annual lease obligation, does not impact the Tourism Development Fund, and allocates an additional \$258,750 to the Beach Renourishment Fund.

Staff is presenting three options for the Board's consideration.

Option 1:

Levy an additional cent of Tourist Tax, effective October 1, 2023. Split the 5 cents collected amongst the following funds:

Beach Restoration Fund – 2 $\frac{3}{4}$ cents
Tourist Development Fund – 2 cents
Jackie Robinson Training Complex Fund – $\frac{1}{4}$ cent

Option 2:

Do not levy an additional cent of Tourist Tax and reallocate the existing 4 cents amongst the following funds:

Jackie Robinson Training Complex Fund – $\frac{1}{4}$ cent
Tourist Development Fund – 1 $\frac{2}{3}$ rd cents
Beach Restoration Fund – 2 $\frac{1}{12}$ th cents

Option 3:

Do not levy an additional cent of Tourist Tax and do not change the existing allocation.

Recommendation

Staff is seeking direction regarding the Board's desire to levy an additional cent of Tourist Tax, as well as how the proceeds of Tourist Taxes are to be spent.

Attachment

Florida Statute 125.0104