



Memorandum

File #: 17-00177

City Council

3/9/2017

LEGISLATIVE ACTION ITEM

SPONSOR: Ashton J. Hayward, III, Mayor

SUBJECT:

SIX-CENT LOCAL OPTION FUEL (GASOLINE) TAX SETTLEMENT

RECOMMENDATION:

That City Council authorize the Mayor to take all actions necessary to settle the Six-Cent Local Option Fuel (Gasoline) Tax Appeal with Escambia County.

HEARING REQUIRED: No Hearing Required

SUMMARY:

On July 23, 2015, the Escambia County Board of County Commissioners (BCC) adopted Ordinance 2015-26 providing for an extension of the Six-Cent Local Option Fuel (Gasoline) Tax (LOGT) for a period of 10 years and four months commencing on September 1, 2016 through December 31, 2026. In accordance with Florida Statutes, an Interlocal Agreement is needed in order to determine a distribution of the funding. If the terms of an Interlocal Agreement cannot be reached, then a default formula of the past five year's transportation expenditures for each entity determines the distribution percentages.

On July 14, 2016, the BCC approved Resolution 2016-93 setting the distribution percentage for the City at 6.99%, a decrease of over 61% from the previously approved distribution formula in which the City received 18.22% of the LOGT proceeds. The County's calculation of the 6.99% distribution percentage for the City was based solely on the "Transportation" expenditure line item in the Comprehensive Annual Financial Report (CAFR) and not the broader definition of transportation expenditures as outlined in Section 336.025, F.S. Therefore, City Staff did not support or agree with the calculation. In addition, the reduction in the City's distribution percentage from 18.82% to 6.99% resulted in a decrease of approximately \$1 million of LOGT proceeds to the City annually or in excess of \$10.5 million over the term of the renewed Six-Cent LOGT based on Fiscal Year 2017 revenue estimates from the Florida Department of Revenue.

On August 3, 2016, the City Attorney filed an appeal with the Florida Administration Commission in order to preserve the City's rights to receive its fair share of the LOGT proceeds as provided by Florida Statutes. On January 26, 2017, the Florida Administration Commission referred the appeal to Florida Division of Administrative Hearings, initiating the appeal proceedings.

On February 16, 2017, the BCC unanimously approved offering the City a settlement of the LOGT Appeal providing the City with a 15.15% distribution percentage. In correspondence from the County Attorney's

Office outlining the proposed settlement, it was stated that the settlement, once finalized, would be documented in a BCC resolution and settlement agreement.

In addition, the County Attorney's Office indicated that the BCC would want assurances from the City that the improvements identified in the City provided Fiscal Year 2017 Street Rehabilitation Plan would be completed. While the City Council has approved the award of bid for the Phase I projects contemplated in the Fiscal Year 2017 Street Rehabilitation Plan, the inclusion of the Plan in a settlement agreement is not required by Florida Statutes.

The pertinent LOGT distribution percentages are as follows:

Prior 10Year 9/1/06-8/31/16		Current Appeal 9/1/16-12/31/26		Requested Settlement 9/1/16-12/31/26	
Escambia County	81.15%	Escambia County	92.20%	Escambia County	84.04%
City of Pensacola	18.22%	City of Pensacola	06.99%	City of Pensacola	15.15%
Town of Century	00.63%	Town of Century	00.81%	Town of Century	00.81%

PRIOR ACTION:

None

FUNDING:

Budget: \$1,337,100

Actual: \$1,384,900

FINANCIAL IMPACT:

The LOGT distribution proceeds are pledged to a City financing. At the 15.15% distribution rate, sufficient funds will be available from the LOGT proceeds and the established reserves to pay the debt service over the life of the financing.

CITY ATTORNEY REVIEW: Yes

2/24/2017

STAFF CONTACT:

Eric W. Olson, City Administrator
Richard Barker, Jr., Chief Financial Officer

ATTACHMENTS:

None

PRESENTATION: No

