

CITY OF MADEIRA BEACH TAX RATES, FEES, AND CHARGES POLICY

ADOPTED BY BOARD OF COMMISSIONERS AUGUST 9, 2016

I. POLICY STATEMENT

The City of Madeira Beach (the “City”) was incorporated in 1947 with a Council-Manager form of government. As a political subdivision of the State of Florida, the City is governed by a five-member elected Board of Commissioners (the “BOC”). The BOC is responsible for the establishment and adoption of policy for the City. The execution of such policy is the responsibility of the City Manager. The BOC directs the City Manager or the Manager’s designee to implement all policy. For the purposes of this Revenues: Tax Rates, Fees, and Charges Policy (the “Policy”), the City Manager’s designee is presumed to be the City Treasurer who functions as the fiduciary entrusted to protect and enhance the City’s financial condition.

It is the express intent of the BOC that adherence to this Policy should illuminate and promote the evaluation of trade-offs between adopted City policy statements and the current and forecast fiscal condition of the City. Furthermore, it is the BOC’s intent that this Policy be informed by and benchmarked against “Best Practices and Advisories” contemplated by the Government Finance Officers Association (“GFOA”) and Florida Municipal Officials’ Manual (the “Manual”).

It is understood however that this Policy must also give strong consideration to the local environment in which the City operates and its objectives and tolerances. Recognizing citizens, businesses and tourists have a choice in where it is they elect to live, work, and recreate, this Policy shall be administered in such a manner as to establish and maintain the City as a preferred location for residents, businesses and visitors alike. Ultimately, adherence to this Policy is to ensure the City prudently designs and manages its tax rates, fees, and charges in order to provide for:

- A. Revenue diversification, so that on-going operations are less reliant upon less stable or highly variable revenue streams;
- B. Revenues that exceed normal growth rates are used for one-time expenditures or to increase reserves;
- C. Revenue forecasts are adequate to provide for the variety and level of services expected by vested stakeholders; and
- D. Alignment with growth-related endeavors (e.g. economic development activities).

It is understood that the benchmark organizations amend and modify their guidance over time. The City Treasurer is to periodically review any such “Best Practices and Advisories” and recommend conforming modifications to this Policy, if warranted. The Revenues: Tax Rates, Fees, and Charges Policy should be read in its entirety and read in conjunction with other, applicable Policies adopted by the City.

II. DEFINITIONS

Rate: rates are established either via the state’s constitution, Florida statutes or local law. Tax rates apply to mandatory payments from a citizen to a government, levied through the authority of a government and may be used for general governmental purposes.

Fee: a charge for service issued by a local government; adopted via resolution or ordinance. It is voluntary in nature and the corresponding proceeds are intended to partially or completely fund the service provided.

III. POLICY PURPOSE AND SCOPE

State and local governments use taxes, fees and charges to fund programs and services. When certain programs or services provided especially benefit a particular group, then governments should consider taxes, fees, charges on the direct recipients of those services. However, many governments provide subsidies to various users for policy reasons, including the ability of residents or businesses to pay. Well-

designed taxes, fees, and charges not only reduce the need for additional revenue sources, but promote service efficiency. This Policy addresses the methods, procedures, and practices that will ensure prudent management of the City's tax rates, fees and charges in order to ensure City revenues are sufficient to provide the variety and level of services sought by vested stakeholders. The guidelines contained in this Policy adhere to the Florida Constitution and State Statutes and reflect the recommended practices of the GFOA and the Manual.

Factors to consider when developing tax rates, fees and charges should include:

1. Any applicable laws, statutes, and policies
2. Any applicable agreements articulating pricing factors and/or rationale for any subsidies
3. What is the full cost of providing the program or service (both direct and indirect)
4. Long-term forecasts and plans such as:
 - a. Whether imposing the full cost would pose a hardship on a specific population unable to pay; and
 - b. Whether attempts to fully cover the costs of a program or service will cause for an unrealistic demand for continued delivery
5. Public input and involvement
6. Periodic review and updates

In conjunction with adoption of this Policy, the City Treasurer shall soon update and hereinafter maintain a "Revenue Manual" summarizing each of the City's major rates, fees and charges. The Revenue Manual will be designed to address the substantive elements of *Section IV. Execution of Purpose of Scope*. The Revenue Manual is to be maintained and amended corresponding to any new or modified rates, fees, or charges. As warranted, the City Treasurer shall incorporate or make reference to the Revenue Manual in connection with the City's budget adoption processes.

IV. EXECUTION OF PURPOSE AND SCOPE

Concerning the tax rate, fee and charge setting process, the City Treasurer shall:

1. Consider applicable laws and statutes before the implementation of considering creating new or modifying existing tax rates, specific fees and/or charges.
2. Adopt formal policies regarding tax rates, fees and charges and fees. The policy should:
 - a. Identify the factors (affordability, pricing history, inflation, service delivery alternatives, and available efficiencies) to be taken into account when pricing programs and services.
 - b. Articulate whether the City intends to recover the full cost of providing programs and services and why. Set forth the circumstances under which the City might set a charge or fee at more or less than 100 percent of full cost. If the full cost of a program or service is not recovered, then an explanation of the rationale for this deviation should be provided.
 - c. Outline the considerations that might influence pricing decisions. Such policy concerns might include the need to regulate demand, the desire to subsidize a certain product or service, competition with public or private enterprise, economic development, elasticity of demand for the particular service, and visibility of the service to the community.
 - d. Address the specifics of how any current or delinquent tax, fees and/or charges will be levied and collected, including any anticipated costs of collection.
3. Calculate the full cost of providing a service in order to provide a basis for setting the rate, fee or charge.
 - a. Full cost incorporates direct and indirect costs (including operations and maintenance), overhead, and charges for the use of capital facilities. Examples of overhead costs include: payroll processing, accounting services, computer usage, and other central administrative services.
 - b. The associated costs of collection need to be addressed.

4. Review and update tax rates, fees and charges periodically based on factors such as the impact of inflation, other cost increases, adequacy of cost recovery, use of services, and the competitiveness of current rates.
 - a. By updating fees on a periodic basis, this may help smooth charges and fees over several years rather than having uneven impacts.
 - b. Periodic review of the service demand and competition is also recommended to ensure that the appropriate quality and price point of the service continues to meet actual demand.
 - c. The review should be performed in conjunction with a look at alternatives for cost reduction.
 - d. Benchmark individual tax rates, fees, and charges with those charged by comparable or neighboring might guide the City body when setting rates, fees and charges; benchmarking can also differentiate service levels to reveal service or pricing options.
5. Utilize long-term forecasting to ensure that rates, fee and charges anticipate future operational and capital costs in providing the service.

If the rate, fee and/or charge will recover costs associated with other long-term plans, such as a multi-year capital plan, a longer-term service fee plan should be consistent, recognizing the plan may be amended to reflect changing conditions in the future.
6. Provide information on rates, fees, and charges to the public.

There should be opportunities for citizen feedback, particularly when new rates are introduced or when existing rates are changed. This includes the City's policy regarding full cost recovery, subsidies, and information about the amounts of charges and fees (current and proposed), both before and after adoption, and the anticipated impact of the new rate, fee or charge on providing the service in future years.

V. ADVISORS, CONSULTANTS AND FINANCIAL SERVICES

The City Treasurer may retain finance or other consulting professionals when such expertise as required in order to fulfill that which is contemplated by *Section IV. Execution of Purpose and Scope*. Such professionals may include attorneys, municipal advisors, feasibility consultants, and other professional service providers known to possess the requisite expertise and who also have expressed interest and are known to be available when needed. The selection and retention of such professionals shall conform to the City's policies/practices that govern the procurement of professional services contracts.

VI. POLICY REVIEW AND REVISION

This Policy shall be reviewed periodically and no less than every three years by the City Treasurer, and may be amended by the Board of Commissioners as conditions warrant.