



City of North Port
Financial Services

Phone (941) 429-7111

Fax (941) 429-7209

TO: Jason Yarborough, ICMA-CM, Interim City Manager

FROM: Kimberly Ferrell, Finance Director

TROUGH: Cari Branco, Assistant City Manager

DATE: February 10, 2021

RE: Alternative Revenue Sources

Public Service Tax on Water Sales

The City of North Port does not currently levy a tax on water sales. Longboat Key, Venice and Sarasota County also do not levy a tax on water sales. The City of Sarasota levies a 10% tax on water sales.

A **10% Public Service Tax on water sales** in North Port would result in an estimated annual revenue of **approximately \$1,000,000** based on prior operating results. This tax is collected by the seller of the taxable item from the purchaser and therefore would include administrative responsibilities being added for North Port Utilities.

While a legal review has not been requested at this time, it is my understanding that a public service tax may be levied by ordinance with 120 days prior notice to the Department of Revenue (DOR). The tax levy effective date must also be the beginning of a calendar quarter subsequent to the required DOR notice.

Public Service Tax on Electricity

The City of North Port currently levies a 2% tax on electricity. Longboat Key and Sarasota County do not levy a tax on electricity. The Cities of Sarasota and Venice levy a 10% tax on electricity. The statewide average of 482 taxing authorities levying this tax is a tax of 7.64% as calculated from data provide by the DOR Municipal Public Service Tax Database.

An increase of the **Public Service Tax on electricity to 10%** in North Port would result in an estimated additional annual revenue of **approximately \$3,700,000** based on prior operating results. This tax is collected by the seller of the taxable item from the purchaser and therefore would not include significant administrative responsibilities for North Port staff.

While a legal review has not been requested at this time, it is my understanding that a public service tax may be levied by ordinance with 120 days prior notice to the Department of Revenue. The tax levy effective date must also be the beginning of a calendar quarter subsequent to the required DOR notice.

Public Service Tax on Gas Products

The City of North Port does not currently levy a tax on gas products. Longboat Key and Sarasota County also do not levy a tax on gas products. The City of Sarasota levies a 10% tax on liquified petroleum, manufactured and natural gas as well as \$.04 per gallon on fuel oil/kerosene. The City of Venice levies a 10% tax on all gas products.

The annual revenue that would be generated by a tax on gas products in North Port is undetermined; however, the City of Sarasota collects approximately \$125,000 from this levy annually. This tax is collected by the seller of the taxable item from the purchaser and therefore would not include significant administrative responsibilities for North Port staff.

While a legal review has not been requested at this time, it is my understanding that a public service tax may be levied by ordinance with 120 days prior notice to the Department of Revenue. The tax levy effective date must also be the beginning of a calendar quarter subsequent to the required DOR notice.

Payment In Lieu of Franchise Fees – Water and Sewer

The **Payment in Lieu of Franchise Fees** that North Port imposes on the **Water and Sewer Funds** is .25% of assets. This practice currently results in **approximately \$493,000** in revenue to the General Fund.

It is my understanding that the Payment in Lieu of Franchise Fees as well as the percentage at which it is imposed is an internal North Port policy. I am not aware of any reason that this percentage and/or calculation method may not be modified resulting in more revenue to the General Fund. In addition, the Water and Sewer Funds are financially healthy with an Increase to Net Position (after the payment to the General Fund) of \$9.7M, \$11.6M, \$12.1M and \$16.2M, respectively for fiscal years 2016, 2017, 2018 and 2019.

The franchise fees in Florida observed during this research ranged from 3-6% of sales. If North Port were to impose a **Payment in Lieu of Franchise Fees of 3%** of revenues in the **Water and Sewer Funds**, it would generate an **additional \$240,000** in revenue to the General Fund.

If North Port were to impose a **Payment in Lieu of Franchise Fees of 6%** of revenues in the **Water and Sewer Funds**, it would generate an **additional \$970,000** in revenue to the General Fund.

Payment In Lieu of Franchise Fees – Solid Waste

The City of North Port does not currently impose a **Payment in Lieu of Franchise Fees** for the **Solid Waste District**. If North Port were to impose a **Payment in Lieu of Franchise Fees of 6%** of revenues in the **Solid Waste District**, it would generate an **additional \$600,000** in revenue to the General Fund.

Please let me know if you would like further information regarding any of these topics.