

City of Key West

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Indirect Cost Study and Cost Allocation Plan

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1. Introduction

1.1. Purpose / Objective

The primary purpose for preparing this cost allocation plan was to identify and allocate the cost of providing services internally, quantifies and captures the cost of the services provided by the General Fund to the enterprise funds and internal service funds, and to ensure that each department and function has its “true” costs identified. The purpose of preparing a cost allocation plan is to identify a plan for direct and indirect cost allocations to those departments/divisions and ultimately the customers of the City of Key West (“City”) for not just the direct services provided, but also for the internal services that are required to support the direct services provided to the community.

1.2. City Government

The City’s General Fund incurs expenditures in the range of \$38 million annually and is supported by ad valorem tax revenue, charges for services, intergovernmental revenue, transfers from other funds, and various fees and charges.

The General Fund is segregated into 16 departments. These are:

- City Commission
- City Manager
- City Clerk
- Finance
- Human Resources
- Information Technology
- City Attorney
- Planning
- Non-Departmental
- Community Services
- General Services
- Police Department
- Fire Department
- Building Services
- Code Compliance
- Port Operations

In addition to the General Fund, there are several Special Revenue Funds, Enterprise Funds, and an Internal Service Fund, which is the Insurance Program Fund. There are

eight Special Revenue Funds as identified below:

- Infrastructure Surtax Fund
- Internal Improvements Fund-
- Fort Taylor Surcharge Fund
- Affordable Housing Fund
- Truman Property Fund
- Law Enforcement Trust Fund
- Bahama Village/Caroline Street TIF Fund
- Navy Outer Mole Payments Fund

There are six Enterprise Funds, as identified below:

- Sewer Fund
- Stormwater Utility Fund
- Solid Waste Fund
- Key West Bight Fund
- Transit System Fund
- Garrison Bight Fund

Currently some General Fund costs are directly budgeted and allocated to other General Fund departments and the Special Revenue Funds, Enterprise Funds, and Internal Service Fund. The purposes and sources of revenue associated with each of these funds are discussed in Section 2 of this report.

The organizational chart for the City is provided in Appendix A along with a brief description of each of the City Funds.

2. Methodology

2.1. General

Cost allocation is defined as the method used to identify and distribute indirect costs within an organization. Direct costs are costs assignable to a specific cost objective, whereas indirect costs are costs incurred for multiple purposes or not directly assignable to a specific cost objective without effort that is disproportionate to the benefit received.

2.2. Cost Classification

Each department should be identified and classified as “Support,” “Recipient,” or “Support/Recipient.” Support departments send allocations to recipient departments. Support departments may also send or receive allocations to or from other support departments. Recipient departments are those receiving a benefit from a support department.

Each personnel position, as well as personnel cost by position, is identified as a direct position, indirect position, or combination thereof. Personnel positions (and associated costs) that are identified as a direct position are directly budgeted or directly allocated to one or more departments. Personnel positions (and associated costs) that are identified as indirect are allocated to one or more departments based on one or more indirect cost allocation factors. Similarly non-personnel costs associated with each department are identified as direct, indirect, or a combination thereof. A summary of the positions where historically a portion of the cost of the position was budgeted to another Fund or Department is summarized in Table 2-1. These positions were changed from a directly budgeted allocation in the FY2011-12 budget to an indirect allocation in this cost allocation plan.

2.3. Cost Allocation Methodology

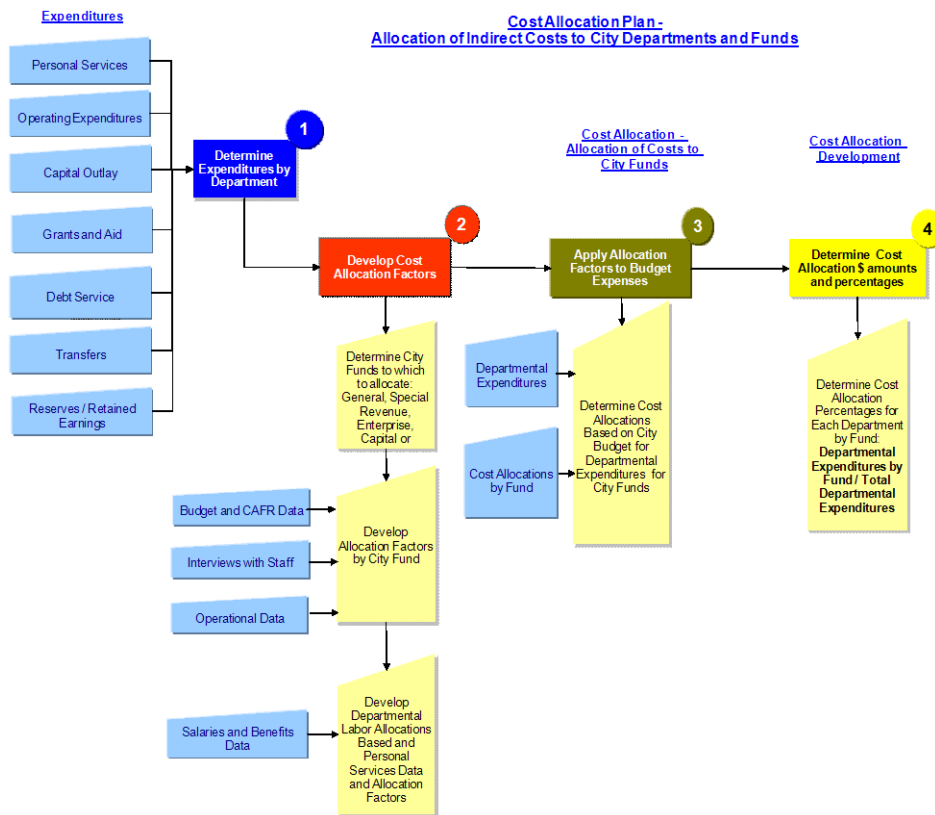
Budgeted operating expenses by department were used as the starting point for determining allocable costs. Within each Support department, line items with the potential to contain significant indirect costs (such as professional services) were individually reviewed, and direct costs were identified with and applied only to the benefitting cost objective, whereas unallocable costs (costs that would be inappropriate to share with another department) were excluded from the allocation. Any costs that were directly budgeted to a department (as a direct cost allocation and as included in the

budget) were considered so as not to double charge a Recipient department. A flow chart of the cost allocation plan and allocation process is provided in Figure 2-1.

**Table 2-1:
Summary of Directly Budgeted Labor Positions**

Department	Position Title	001 General Fund	101 Infrstrure Surtax Fund	102 Internal Impr. Fund	401 Sewer Fund	402 Storm Utility Fund	403 Solid Waste Fund	405 Key West Bight Fund	411 Transit System Fund	413 Garrison Bight Fund	502 Insurance Program Fund	Total
1201 City Manager	Senior Property Manager	20%	-	-	-	-	-	60%	-	20%	-	100%
1302 Human Resources	Benefits Administrator	25%	-	-	-	-	-	-	-	-	75%	100%
1401 City Attorney	Assistant City Attorney	50%	-	-	-	-	-	-	-	-	50%	100%
1401 City Attorney	City Attorney	75%	-	-	-	-	-	-	-	-	25%	100%
1401 City Attorney	Executive Assistant II	75%	-	-	-	-	-	-	-	-	25%	100%
1904 Fleet Service Mngt	Fleet Facility Specialist	50%	-	-	-	-	-	-	50%	-	-	100%
1904 Fleet Service Mngt	Fleet Mng Administrator	50%	-	-	-	-	-	-	50%	-	-	100%
1904 Fleet Service Mngt	Lead Certified Mech (ASE)	75%	-	-	-	-	-	-	25%	-	-	100%
1904 Fleet Service Mngt	Lead Certified Mech (ASE)	100%	-	-	-	-	-	-	-	-	-	100%
1906 Engineering	General Services Director	20%	-	-	30%	20%	30%	-	-	-	-	100%
1906 Engineering	Grants Administrator	50%	-	-	-	50%	-	-	-	-	-	100%
1906 Engineering	Project Manager	33%	33%	33%	-	-	-	-	-	-	-	100%
4302 Port Operations	Dept Auditor-Port Opers	10%	-	-	-	-	-	40%	-	50%	-	100%
4302 Port Operations	Port & Transit Director	60%	-	-	-	-	-	-	40%	-	-	100%
4302 Port Operations	Port Operations Coord	100%	-	-	-	-	-	-	-	-	-	100%
4302 Port Operations	Port Operation Proj Mgr	50%	-	-	-	-	-	30%	-	20%	-	100%

**Figure 2-1:
Allocation of Indirect Costs to City Departments and Funds**



2.4. Department Description and Allocation Basis

The following is a department analysis that identifies each department as “Support,” “Recipient,” or “Support/Recipient,” provides a discussion of each department, and a description of the allocation basis. For the purposes of this cost allocation plan, each non-General Fund is considered and treated as a department.

2.4.1. General Fund

The City’s General Fund consists of 16 departments. The proposed allocation methods for each of these departments are provided below.

2.4.1.1. City Commission - Support

Discussion

The City Commission is the legislative and policy-making branch of the City government, responsible for determining the City’s policies and goals. The Council consists of seven members, and is involved in decision-making and policy-setting related to both the Governmental and Proprietary Fund activities.

Allocation Method

It is common practice among many governments to allocate City Commission costs on the basis of full-time equivalents (“FTEs”), operating budget, Commission resolutions, ordinances, or meeting agenda items, or a combination of these. It is proposed that the City allocate City Commission labor costs based on the number of Commission resolutions and ordinances executed each year.

2.4.1.2. City Manager – Support / Recipient

Discussion

The City Manager’s department provides executive leadership in the management of all departments and enterprises of the City. The City Manager reports to the Mayor and Commissioners and responds to the needs of the public by proactively seeking public feedback. The department is responsible for the day-to-day administrative operation of the City. There are six employees in the City Manager’s office. Responsibilities include:

- Supervision of day-to-day operations of city departments and staff, through department heads;
- Preparation, monitoring, and execution of the city budget, which includes submitting each year to the council a proposed budget package with options and recommendations for its consideration and possible approval;

- Main technical advisor to the council on overall governmental operations; and
- Attendance at all council meetings.

Allocation Method

- **City Manager.** The City Manager's time was allocated to each City department and Fund in proportion to the total budgets of each fund; and
- **Assistant City Manager (2).** Mark Finnigan, one of the assistant City Managers spends approximately 60 percent of his time on general government administration activities and approximately 40 percent of his time on administration of specific City departments, enterprise funds, and special revenue funds, including the CRA, LRA, Key West Bight, Garrison Bight, Sewer, Stormwater, and Solid Waste Funds, and Transit System Funds. Therefore, 60 percent of the City Manager's time was allocated indirectly to each City department and Fund in proportion to the budget of each fund, and 40 percent was allocated indirectly to each of the special revenue and enterprise funds in proportion to the budget of each of these funds.

David Fernandez, the other Assistant City Manager spends approximately 20 percent of his time related to general government administration activities, 20 percent associated with the Sewer Fund, 10 percent associated with the Stormwater Fund, 20 percent associated with the Solid Waste Fund, 15 percent to the Key West Bight Fund, 5 percent to Garrison Bight, and 10 percent to the Transit System Fund.

For cost allocation purposes, his time was directly budgeted to these funds in the FY2010-11 budget, and changed to an indirect allocation in the FY2011-12 budget. The allocations used were 70 percent allocated to enterprise funds and 30 percent allocated to each City department and Fund in proportion to the budget of each of these funds.

- **Executive Administrators (2).** Based on the responsibilities of the executive administrators, approximately 50 percent of Portia Navarro's time was allocated in accordance with Mark Finnigan's allocation, and 50 percent was allocated in accordance with David Fernandez's time. Maria Ratcliff is the City Manager's executive assistant. Her time was allocated in accordance with the City Manager's time;
- **Senior Property Manager (1).** Approximately 20 percent of Marilyn Wilbarger's time was allocated to general management, 60 percent was allocated to the Key West Bight, and 20 percent was allocated to the Garrison Bight based on her position responsibilities. This position was directly budgeted to these funds in the stated

percentages above in the FY2010-11 budget, and changed to an indirect allocation basis using the same percentages in the FY2011-12 budget; and

- Non-labor costs were indirectly allocated to each department based on the composite labor allocation.

2.4.1.3. City Clerk – Support / Recipient

Discussion

The City Clerk is responsible for managing the City’s official records. This includes recording all proceedings of all public meetings, maintaining records of ordinances and resolutions passed by the City Commission, updating the availability of the current municipal code, processing insurance claims, and responding to public records requests.

Allocation Method

Costs associated with the City Clerk should be allocated to all departments and Funds. The amount applied to each work effort category was estimated based on staff estimates of time spent in each task. These estimates are described below.

- Commission and Board Support. Approximately 45 percent of time is spent on providing City Commission and other Board support , including:
 - Preparing the City Commission meeting and other Boards and committee packets, and processing, recording, filing and advertising ordinances, resolutions and notices;
 - Recording the minutes and all official actions of the City Commission and other Boards and Committees as assigned;
 - Attesting to and maintaining custody of all records; and
 - Administering the City Commission packets and new ordinances to be placed on the City’s website.
- Public Records. Approximately 40 percent of time is spent on public records requests and related activities, including:
 - Responding to records requests;
 - Maintaining the Code Book;
 - Preparing budget for the City Clerk’s office;

- Receiving and opening bids; and
- Administering the filing of domestic partnerships.
- Other. Approximately 15 percent of time is spent on miscellaneous other activities, including:
 - Qualifying candidates for Mayor, City Commission, and Utility Boards;
 - Receiving qualification papers and campaign treasurer’s reports;
 - Handling initiative and referendum petitions and charter amendments;
 - Administering Oath of Office to all elected officials; and
 - Conducting elections for two members of the Retirement Committee-Board of Trustees of the Municipal Firefighters’ and Police Officers’ Retirement Trust Fund, and three members to the General Employees Pension.

These activities and efforts were not allocated to any other department or fund.

Based on the estimates of the time and effort spent on the various activities described above and considerations to balance the complexity of the allocation factors used and cost – causative relationships, labor costs were allocated 70 percent based on the number of ordinances and resolutions associated with each department and fund, and 30 percent based on the relative size of each department and fund budget.

- Non labor costs were indirectly allocated to each department based on the composite of the labor allocations discussed above.

2.4.1.4. Citizens Review Board - Recipient

Discussion

The Citizen Review Board (“CRB”) is an independent board with authority to review and/or investigate complaints involving Key West police officers and forward findings and/or recommendations to City management, Chief of Police, State Attorney, other state and federal law enforcement agencies and/or grand juries.

The CRB supports the Key West police officers and City Management. As such no direct or indirect allocations of CRB costs were made from this fund to any other department or fund.

2.4.1.5. Parking – Support / Recipient

Discussion

The Parking department deals with parking enforcement. It is primarily a recipient of support services and not generally a supporting function. However, significant time and effort is spent on monitoring the parking lots and conducting meter maintenance associated with the Key West Bight and the Park-N-Ride. Beginning in 2011, both parking facilities have enforcement support provided by this department.

Allocation Method

Some indirect costs are proposed to be allocated from this department to the Key West Bight Fund for monitoring and maintenance of parking lots there. Based on staff input, it is estimated that approximately 962 hours (0.48 FTEs) are dedicated to monitoring and enforcing the Key West Bight parking lot. In addition, meter maintenance associated with this parking lot requires approximately 182 hours or (0.09 FTEs), and maintenance for the machines costs approximately \$3,200 per year. Therefore, the proposed methodology indirectly allocates personnel costs (0.57 FTEs) and \$3,200 per year to the Key West Bight.

In addition, some indirect costs are proposed to be allocated from this department to the Transit System Fund for monitoring and maintenance of the Old Town Garage (Park-N-Ride). Based on staff input, it is estimated that approximately 520 hours (0.26 FTEs) are dedicated to monitoring and enforcing the Park-N-Ride parking lot. In addition, meter maintenance associated with this parking lot requires approximately 243 hours or (0.12 FTEs), and maintenance for the machines costs approximately \$4,270 per year. Therefore, the proposed methodology indirectly allocates personnel costs (0.38 FTEs) and \$4,270 per year to the Transit Fund.

No other direct or indirect allocations of parking costs were made from this fund to any other department or fund.

2.4.1.6. Finance – Support / Recipient

Discussion

The Finance Department provides support to all City departments and is organized into six functional areas; Administration, General Accounting, Customer Service, Revenue, Purchasing, and Budget. In addition to providing accounting functions, financial reporting, and budgeting support, the Finance Department manages all utility billings and serves as primary cashier and reception at City Hall.

Allocation Method

Finance costs were allocated to all departments and funds. The amount applied to each work effort category was based on staff estimates of number of positions and time spent in each task. Several bases were used to allocate costs according to the work effort.

- **Finance Director.** The Finance Director oversees the department. His time was allocated to each department 60 percent based on a composite allocation of other staff's time within the department, and 40 percent based on the relative size of each department budget.
- **Assistant Finance Director.** Activities include supporting the annual audit, review bank reconciliations, approving journal entries, reconciles and completes activities related to solid waste commercial accounts. Costs associated with this position were allocated based on the relative size of each department's budget.
- **Accounts Payable.** Approximately two accounting clerk positions perform the accounts payable function, which includes accounts payable, recording journal entries, cash receipts, and check runs. These costs were allocated to each department based on the number of Account Payable transactions.
- **Revenue.** The cost associated with the two revenue clerks that work the counter processing utility bills and other miscellaneous fees were allocated to other departments and funds: 10 percent to the General Fund, 26 percent to the Sewer Fund, 26 percent to the Stormwater Fund, 28 percent to the Solid Waste Fund, 3 percent to the Key West Bight, 4 percent to the Transit System, 2 percent to Garrison Bight, and 1 percent to the Insurance Fund. The cash clerk, who audits bus meter collections and assists with utility transactions is allocated 40 percent to the General Fund, 40 percent to the Transit System and 20 percent to the Sewer, Stormwater, and Solid Waste Funds. These allocations were provided by the City's Finance Director.
- **Fixed Assets and Utility Billing.** One accounting clerk is responsible for fixed asset inventory and utility billing. The cost associated with this position was allocated 50 percent based on the value of fixed assets, and 50 percent based on the revenue associated with Sewer, Stormwater, and Solid Waste utilities.
- **Account Coordinator.** The Account Coordinator, Margaret Scanlan, handles grants. The cost of this position was allocated 57 percent to the General Fund, 3 percent to the Internal Improvements Fund, 3 percent to the Sewer Fund, 5 percent to the Stormwater Fund, 10 percent to the Solid Waste Fund, 6 percent to Key West Bight, 10 percent to the Transit Fund, and 6 percent to the Garrison Bight Fund. These allocations were provided by the City's Finance Director.

- Payroll. Beth Ann Curry (Coordinator III) is responsible for biweekly payroll. Therefore, costs allocated with this position were allocated 100 percent based on the number of employees in each department.
- Budget. The budget section of the Finance Department is responsible for preparation and execution of the Annual City Budget and 5-Year Capital Improvements Program, safeguarding tax payer funds, and disseminating budget information. The cost associated with the budget analyst was allocated 20 percent based on the size of the capital budgets (101,102 and 303), 40 percent based on the size of the Enterprise Fund budgets, and 40 percent based on the size of each department budget, excluding capital and Enterprise Funds. The cost associated with the budget accounting technician was allocated 100 percent based on the size of each department budget.
- Purchasing. The Central purchasing agent is responsible for purchasing. The purchasing agent handles approximately 3,000 to 3,500 purchase orders, RFPs, RFIs, and RFQs per year. The cost associated with purchasing was allocated to each department based on the number of purchase orders generated.
- Customer service. The revenue/customer service supervisor is responsible for revenue collections and customer service. The costs associated with this position was allocated to other departments and funds 10 percent to the General Fund, 26 percent to the Sewer Fund, 26 percent to the Stormwater Fund, 28 percent to the Solid Waste Fund, 3 percent to the Key West Bight, 4 percent to the Transit System, 2 percent to Garrison Bight, and 1 percent to the Insurance Fund. These allocations were provided by the City’s Finance Director. In addition, two customer service representatives are directly budgeted to the Sewer, Stormwater and Solid Waste Funds.
- Non labor costs were indirectly allocated based on the composite of the labor allocations discussed above.

2.4.1.7. Human Resources – Support / Recipient

Discussion

The Human Resources (“HR”) Department is responsible for implementing federal and state laws, employee and labor relations, employee benefits, classification and compensation, HRIS, recruitment/hiring/staffing, HR policies and procedures and Risk Management. There are five employees in the HR Department and two employees assigned to Risk Management.

Allocation Method

HR costs are allocated to all departments and funds. The amount applied to each work effort was based on staff estimates and responsibilities of each HR position. The following basis of allocation was used:

- **Benefits Administration.** Based on staff interviews the Benefits Administrator spends approximately 75 percent of her time related to facilitating the health insurance benefit, and this portion of her time is directly budgeted to the Insurance Fund. The remaining 25 percent of her time is spent on miscellaneous HR responsibilities. The cost associated with this portion of her time was allocated based on the number of FTEs in each department and fund.
- **Other HR positions.** The cost associated with the four remaining HR positions was allocated based on the number of FTEs in each department and fund.
- **Non-Labor costs** were indirectly allocated based on a composite of the labor allocations discussed above.

2.4.1.8. Information Technology (IT) – Support / Recipient

Discussion

- The IT department provides technical support and systems administration to all departments, as well as Geographic Information System (GIS) and mapping maintenance. Major software platforms supported include the Sunguard and GMBA systems, which cover billing permits, occupational licenses, code, payroll, purchasing, accounts receivable, utilities, general ledger, work order, fleet, and parking citations. The IT department sets up all computer workstations, responds to time sensitive technical issues, supports users with software-related questions, assists in the development of reports, and prepares the City Commission chambers for public meetings.

Allocation Method

- **Computer Support Tech (1)** – Allocated based on the number of computers associated with each department and Fund.
- **Computer System Support Analysts (3)** – Allocated based on the number of computers associated with each department and Fund.
- **IT Manager and Trainer (1)** – Allocated based on the number of computers associated with each department and Fund.

- Network Administrator (2) – Allocated based on the number of computers associated with each department and Fund.
- Web Specialist/Tech Analyst (1) - Allocated equally among each department and Fund (with the General Fund having 25 departments and other Funds with one department each).
- Non-labor costs were indirectly allocated to each department and Fund based on the number of computers associated with each department and Fund. Note this applies primarily to computer software. Computer hardware is directly budgeted to each department and Fund.

2.4.1.9. City Attorney – Support / Recipient

Discussion

The City attorney's office acts as the City's general counsel. It oversees all litigation, and provides legal support related to contracts city-wide, protects the interests related to city-owned property, and attends City Commission and other public meetings. There are five employees associated with this department; the city attorney, two assistant city attorneys, an executive assistant, and a legal assistant.

Allocation Method

Several bases of allocation of legal expenses, and the amount of time allocated to each effort was estimated based on staff estimates of time spent related to contracts, litigation, and other legal related activities. The following bases were utilized:

- City Attorney. The City Attorney's time was directly budgeted 25 percent to the Insurance Fund and 75 percent to the General Fund in the FY2010-11 budget. This has been changed to an indirect allocation in the FY2011-12 budget using the same allocation percentages. The executive assistant follows the City Attorney's allocation.
- Assistant City Attorneys (2) – Assistant Attorney Ramsingh's time was directly budgeted 50 percent to the Insurance Fund and 50 percent to the General Fund in the FY2010-11 budget. This was revised to an indirect allocation of 45 percent to the Insurance Fund, 50 percent to the General Fund, and 5 percent to the Key West Bight Fund in the FY2011-12 budget based on staff direction. Assistant Attorney Erskine's time was indirectly allocated 10 percent to the utility funds related to purchasing, 15 percent to the Bight Funds, 1 percent to the Forfeiture Funds, 1 percent to the Navy Outer Fund, and the remaining 75 percent remains in the General Fund.

- The Legal Assistant's time is indirectly allocated 70 percent to the Insurance Claim Fund. The remaining 30 percent was allocated a portion to the General Fund, Enterprise Funds, Transportation Funds, etc.
- Outside Counsel – Outside counsel costs should be allocated to each department and fund based on the purpose of procuring the outside counsel.
- Other non-labor costs were indirectly allocated in proportion to the composite labor allocations described above.

2.4.1.10. City Planner – Support / Recipient

Discussion

The City Planner works with land use and construction activities, administers building, shoreline, environmental, and subdivision regulations, reviews development proposals, performs code enforcement, administers land use applications, and prepares and updates long-term plans. Specifically, the planning department:

- Maintains an Adopted Comprehensive Plan of the City in accordance with Florida Statutes.
- Refines the Land Development Regulations to implement the Comprehensive Plan and responds to community needs.
- Maintains an accounting system of the building permits issued pursuant to the Building Permit Allocation System, also known as the "Rate of Growth Ordinance" or "ROGO".
- Staffs the City of Key West Planning Board.
- Updates the GIS to be consistent with the base map system maintained by the Monroe County Property Appraiser.
- Provides all planning services to the City.
- Maintains a planning and development review process available to the public.
- Maintains the Future Land Use Map and Zoning Map.

Allocation Method

Cost associated with the City Planner was not allocated to any other department or Fund.

2.4.1.11. Fleet Service Management – Support / Recipient

Discussion

The Fleet Service Management department is responsible for maintaining the City's fleet of vehicles.

Allocation Method

A portion of three employees time in the Fleet Service Management department were directly budgeted to the Transit System Fund in the FY2010-11 budget, resulting in 1.25 FTEs directly budgeted to Transit. In the FY2011-12 budget, the Fleet Management Administrator and the Fleet Facility Specialist positions were indirectly allocated 50 percent to the Transit System Fund. An additional three FTEs were budgeted directly to the Transit System Fund in this department. The remaining cost associated with Fleet Services Management was allocated to each department based on a weighting of the number of vehicles serviced by department based on maintenance and repair unit equivalencies.

2.4.1.12. Engineering – Support / Recipient

Discussion

The Engineering Department is primarily responsible for carrying out City infrastructure improvements and the review of public development projects. Engineering Services provides planning and design services, as well as engineering and construction management for the City's capital construction projects. These projects include storm sewers, buildings, parks, beaches, roads and sidewalks. The Department is also tasked with the responsibility for right-of-way permitting functions, which help to improve the cleanliness and beauty of the City's rights-of-way. There are six positions associated with the Engineering department.

Allocation Method

The costs of engineering activities that support non-General Fund departments are directly charged to the projects and associated departments responsible for the projects. Therefore, for the purposes of the cost allocation plan, engineering personnel costs that are indirectly allocated to other departments or Funds should be compared to the amount of direct charges recorded by position in order to validate the indirect allocation amount each year.

- Civil Engineer. The Civil Engineer's time was allocated 60 percent to the Stormwater Fund and 40 percent to the Sewer Fund based on staff interviews.

- **Project Manager.** The Project Manager, Janet Muccino spends her time one-third on General Fund activities, one-third on Infrastructure Surtax Fund activities, and one-third on Internal Improvement Fund activities according to staff interviews. Therefore, her time was indirectly allocated to these funds in the FY2011-12 budget.
- **Senior Project Manager.** The Senior Project Manager, Doug Bradshaw's time was indirectly allocated 30 percent to the Key West Bight and 20 percent to the Garrison Bight Fund based on prior year's direct budget allocation.
- **Public Facilities/ADA Coordinator.** Diane Nicklaus spends her time related to infrastructure and sidewalks, right of way maintenance, bicycle safety, and handicap parking. Therefore, no indirect allocation was made and 100 percent of her time remains in the General Fund.
- **Grant Administrator.** Carolyn Sheldon spends approximately 50 percent of her time on stormwater issues, and 50 percent related to infrastructure (Internal Improvements Fund). In the FY2010/11 budget, the cost associated with this position was directly budgeted 50 percent to the General Fund and 50 percent to the Stormwater Fund in the proportions identified above. In the cost allocation plan, 50 percent of her time was allocated to the Internal Improvements Fund and 50 percent was allocated to the Stormwater Fund.
- **Executive Assistant.** The Executive Assistant supports the engineering director and the utilities director. Therefore, her time was indirectly allocated 50 percent similar to the engineering director and 50 percent similar to the utilities manager.

2.4.1.13. Facilities Maintenance – Support / Recipient

Discussion

There are nine employees associated with the Facilities Maintenance department.

Allocation Method

The facilities maintenance department directly charges time and materials to departments and funds for work performed. Chargebacks are recorded on a quarterly basis for small projects, and an internal purchase order is generated for larger projects. Therefore, no indirect cost allocations were made.

2.4.1.14. Disaster Recovery - Recipient

Discussion

There is 0.6 FTEs associated with disaster recovery for Federal Emergency Management Agency (FEMA) coordination.

Allocation Method

Cost associated with disaster recovery and FEMA coordination was not allocated to any fund other than the General Fund.

2.4.1.15. Police - Recipient

Discussion

Police protection is a service provided to all City citizens. The Police Department is a recipient of support services and not a supporting function within the City Government. No indirect allocations of police costs were made. However, implementing a potential payment in lieu of taxes (PILOT) is discussed in Section 3.

2.4.1.16. Police Marine Division - Recipient

Discussion

Police protection is a service provided to all City citizens. The Police Department is a recipient of support services and not a supporting function within the City Government. No indirect allocations of police costs were made.

2.4.1.17. Fire - Recipient

Discussion

Fire protection is a service provided to all City citizens. The Fire Department is a recipient of support services and not a supporting function within the City Government. No indirect allocations of Fire department costs were made. However, implementing a potential PILOT is discussed in Section 3.

2.4.1.18. Building Services - Recipient

Discussion

The Building Department consists of four divisions: Permitting, Plan Review, Historic Preservation, and Licensing. All divisions are committed to protecting the health, safety and welfare of the community. The department provides a variety of information to the public pertaining to building procedures, licensing requirements, zoning issues, code complaints, and historic preservation. There are ten employees associated with the Building Services department. Activities include building inspections, permits, and licenses. The City receives various fees for providing these services.

Allocation Method

Building Services is a General Fund function provided to City citizens and new development. No direct or indirect allocations of Building Services costs to other departments of Funds were made.

2.4.1.19. Code Compliance - Recipient

Discussion

The Code Compliance department has the responsibility of investigating complaints and ensuring compliance of the City Code of Ordinances, building standards, zoning issues and licensing regulations. All complaints and violations received or found are logged into the city computer system. Each inspector is expected to maintain continuous monitoring of assigned cases. All inspectors are required to be certified by the Florida Association of Code Enforcement either at the time of hiring or within one year after their hiring date. There are eight positions associated with the Code Compliance department

Allocation Method

Code Compliance is a General Fund function that is provided to City citizens. No direct or indirect allocations of Code Compliance to other departments or Funds were made.

2.4.1.20. Emergency Preparedness – Support / Recipient

Discussion

There are 0.5 FTEs associated with emergency preparedness.

Allocation Method

Cost associated with Emergency Preparedness was not allocated to any fund other than the General Fund.

2.4.1.21. Port Operations - Recipient

Discussion

There are four positions associated with Port Operations.

Allocation Method

The Port and Transit Directors' time was indirectly allocated 40 percent to the Transit System Fund based on prior year's direct budget allocation. No other personnel costs were indirectly allocated to any other fund or department.

2.4.1.22. Parks and Recreation - Recipient

Discussion

There are 39 positions related to Parks and Recreation.

Allocation Method

Cost associated with Parks and Recreation was not allocated to any other fund or department.

2.4.2. Special Revenue Funds

2.4.2.1. Infrastructure Surtax Fund - Recipient

Department ID:101-1905

Discussion

The Infrastructure Surtax Fund is a Special Revenue Fund that is responsible for construction of city infrastructure consisting of buildings, roads, sidewalks, parks, piers, seawalls, etc., major renovations to existing infrastructure, purchase of capital equipment and vehicles for public safety. The Infrastructure Surtax Fund is funded with \$0.01 of the \$0.075 sales tax. Revenue in this fund supports various equipment and infrastructure, including police and fire equipment. There are 0.3 FTEs associated with this fund.

Allocation Method

Cost associated with the Infrastructure Surtax Fund was not allocated to any other fund or department.

2.4.2.2. Internal Improvements Fund - Recipient

Department ID:102-4104

Discussion

The Internal Improvements Fund is a Special Revenue Fund that is responsible for maintenance and improvement of streets, sidewalks and street lights, and supports the City transit system operations. This fund is funded with a \$0.06 fuel surtax and \$0.03 gasoline only surtax. Revenue is used to support transit related improvements. There are 4.3 FTEs associated with this fund.

Allocation Method

Cost associated with the Internal Improvements Fund was not allocated to any other fund or department. A portion of the revenue associated with this fund is transferred to the Transit Fund, through an interfund transfer, for the support provided to this fund.

2.4.2.3. Fort Taylor Surcharge Fund - Recipient

Department ID:103

Discussion

The Fort Taylor Surcharge Fund is a Special Revenue Fund that receives proceeds from the State Park. The Fort Taylor State Park is located at the end of Southard Street on Truman Annex. Designated a National Historic Landmark in 1973, Florida's southernmost state park is popular for recreation, as well as U.S. military history. Funds accumulated in this fund are used to pay for land purchases associated with environmental protection. There are no personnel directly associated with this fund.

Allocation Method

Cost associated with the Fort Taylor Surcharge Fund was not allocated to any other fund or department.

2.4.2.4. Affordable Housing Fund – Recipient

Department ID:104

Discussion

The Affordable Housing Fund is a Special Revenue Fund that assists in the affordable housing effort managed by the Key West Housing Authority. The Fund is supported by General Fund revenues. There are no personnel directly associated with this fund.

Allocation Method

Cost associated with the Affordable Housing Fund was not allocated to any other fund or department.

2.4.2.5. Truman Property Fund - Recipient

Department ID:105-7203

Discussion

The Truman Property Fund is a Special Revenue Fund that is responsible for maintenance and development of the Truman water front properties, which were transferred to the City from the Navy as part of the Base Closure and Realignment program and is funded with transfers from the General Fund and Infrastructure Surtax Fund.

This fund has recently been eliminated and combined with the General Fund.

Allocation Method

None.

2.4.2.6. Law Enforcement Trust Fund – Recipient

Department ID:172

Discussion

The Law Enforcement Trust Fund is a Special Revenue Fund that is used for funding police training and the purchase of police equipment. The Fund is funded with proceeds from the sale of property seized by police working on local, state, and federal cases. There are no personnel directly associated with this fund, however, the Legal Department spends some time associated with this fund.

Allocation Method

Cost associated with the Law Enforcement Trust Fund was not allocated to any other fund or department.

2.4.2.7. Bahama Village / Caroline Street TIF Fund – Recipient

Department ID:601

Discussion

The Bahama Village / Caroline Street TIF Fund is a Special Revenue Fund that is responsible for making improvements and providing services to the Bahama Village area and the Carolina Street Corridor. There are two, non-contiguous redevelopment areas in the City of Key West: the Caroline Street Corridor Redevelopment Area and the Bahama Village Redevelopment Area. These two redevelopment areas are collectively managed

by the Caroline Street Corridor and Bahama Village Community Redevelopment Agency ("CRA"). The Key West City Commission sits as the CRA. The Bahama Village Redevelopment Advisory Committee acts as an advisory committee to the CRA for the Bahama Village Redevelopment Subarea.

The Fund is funded with ad valorem taxes derived from the creation of a tax increment financing district. The annual tax revenue amount is approximately \$1.4 million, of which approximately \$600,000 is allocated to Bahama Village and \$800,000 is allocated to Caroline Street. These funds are collected by Monroe County and transferred to the City. A portion of the revenue generated in this fund is transferred to the Key West Bight Fund based on a formula that is based on assessed value of property of Caroline Street and Bahama Village.

There are no personnel directly associated with this fund, however, General Fund staff (IT, Legal, and City Manager's Office) spend significant amounts of time during the year managing this fund.

Allocation Method

Cost associated with the Bahama Village / Caroline Street TIF Fund was not allocated to any other fund or department.

2.4.2.8. Navy Outer Mole Payments Fund – Recipient

Department ID:602

Discussion

The Navy Outer Mole Payments Fund is a Special Revenue Fund that is responsible for making improvements to the Navy Outer Mole as determined by the U.S. Navy and the City. The U.S. Navy directs the City on how to utilize the available funds. This Fund is supported by receiving 40 percent of the gross cruise ship fees received from the Outer Mole per the City's lease with the U.S. Navy. Funds are collected by the General Fund and transferred to this Fund.

There are no personnel directly associated with this fund, however, General Fund personnel spend a significant amount of time managing this Fund. In addition, the City incurs expenses to disembark ship passengers from the Navy Outer Mole to the public land.

Allocation Method

Cost associated with the Navy Outer Mole Payments fund was not allocated to any other fund or department.

2.4.3. Enterprise Funds

2.4.3.1. Sewer Fund - Recipient

Department ID:401

Discussion

The sewer system serves all parts of the City, with the exception of the state park, located within the City, and the portion of Stock Island located within the City, which is served by a private utility. Various major United States Navy installations are currently connected to the system. The City has contracted with Operations Management International, Inc. to supervise the day-to-day operation and maintenance of the sewer system. OMI employs approximately 25 people in connection with the Sewer System, and there are 4.1 City FTEs associated with this fund.

Allocation Method

Cost associated with the Sewer Fund was not allocated to any other fund or department.

2.4.3.2. Stormwater Utility Fund - Recipient

Department ID:402

Discussion

The Stormwater Utility Fund provides stormwater management, which is a major component to improvement of the near shore water quality. This includes the management and treatment of stormwater run-off. The fund manages stormwater infrastructure and improvements to the stormwater system that are made at intersections throughout the city. There are 1.6 FTEs associated with this fund.

Allocation Method

Cost associated with the Stormwater Fund was not allocated to any other fund or department.

2.4.3.3. Solid Waste Fund - Recipient

Department ID:403

Discussion

The Solid Waste Department is responsible for proper handling and disposing of all Municipal Solid Waste (MSW) generated by the City, and the transfer station located on Rockland Key. All of the MSW processed at the City Transfer Station is transported to a

Waste-to-Energy Facility in Broward County via a contract with Waste Management of Florida, Inc. The City is in the process of creating a Solid Waste Master Plan with a goal of creating a map to guide the City towards increasing the recycling rate, maximizing waste diversion, and creating a pathway towards a zero-waste community. There are 10.1 FTEs associated with this fund.

Allocation Method

Cost associated with the Solid Waste Fund was not allocated to any other fund or department.

2.4.3.4. Key West Bight Fund - Recipient

Department ID:405

Discussion

Key West Bight is nestled in the middle of the City of Key West's Seaport properties located in the historic district. The Key West Bight is a twenty acre facility that has become a major tourist destination. The marina located at the Key West Bight has thirty-three deep-water transient slips available that can accommodate vessels up to 140 feet, year round. The Key West Bight is funded from Property leases, marina charges for services, parking fees, and transfers from the Caroline Street Corridor Tax Increment Financing District (TIF). There are 20.75 FTEs associated with this fund.

Allocation Method

Cost associated with the Key West Bight Fund was not allocated to any other fund or department.

2.4.3.5. Transit System Fund - Recipient

Department ID:411

Discussion

The Transit System Fund is responsible for the operation, maintenance, and improvement of the Key West transit system, Lower Keys shuttle, and the Old Town parking garage. This Fund is funded from State and Federal operating and capital grants, fares, parking fees, advertising, and transfer from the Internal Improvements Fund. There are 31.25 FTEs associated with this fund.

In addition, the cost of maintaining the building at 627 Palm Avenue is the responsibility of the Transit System Fund. The building was constructed with DOT grant funds. Other

City departments occupy space in this building, specifically Fleet and Community Services departments.

Allocation Method

The cost of maintaining the building at 627 Palm Avenue (estimated at \$31,000) was allocated 61 percent to the fleet and community services departments that occupy this space based on the percentage of square feet of building space occupied. Cost associated with the Transit System Fund was not allocated to any other fund or department.

2.4.3.6. Garrison Bight Fund - Recipient

Department ID:413

Discussion

The Garrison Bight is located on the north side of the island of Key West and consists of a City Marina, which accommodates 250 slips, and straddles the Palm Avenue causeway. City Marina also has 30 transient slips. These slips are located on concrete floating docks. Amenities include bath and shower facilities, an on-site coin laundry as well as vessel pump-out services. The responsibilities of this Fund consist of the operation, maintenance and improvement of the marina and mooring fields. This Fund is funded from leases, marina charges for services, and parking fees. There are 12.9 FTEs associated with this fund.

Allocation Method

Cost associated with the Garrison Bight Fund was not allocated to any other fund or department.

2.4.4. Internal Service Funds

2.4.4.1. Insurance Fund - Support

Department ID:502

Discussion

The Insurance Fund is an Internal Service Fund and is responsible for management of the City's self-insurance and health insurance programs. This Fund is funded from Transfers from other City departments and funds, insurance policy claims' proceeds, and COBRA premium payments. There are 3.25 FTEs associated with this fund.

Allocation Method

The City has a well documented method of allocating insurance fund costs to other departments and funds. It allocates workman's compensation and property claims based on the number of claims per department and fund over the last five years. No other indirect allocations were made.

3. Cost Allocation Results

3.1. Indirect Cost Allocation Amounts

Applying the cost allocation approach and plan described in Section 2 results in a certain amount of indirect cost responsibility associated with each department, Special Revenue Fund, and Enterprise Fund. A summary of the indirect cost allocation results that are based on the fiscal year FY2010-11 budget is provided in Table 3-1 and Figure 3-1.

**Table 3-1:
Indirect Cost Allocation Results Summary**

Description	General Fund Budget	Indirect Cost Allocations
Total FY2010/11 General Fund Budget	\$ 47,946,885	
Special Revenue Funds		
Infrastructure Surtax Fund		\$ 109,667
Internal Improvements Fund		128,667
Fort Taylor Surcharge Fund		2,361
Affordable Housing Fund		-
Law Enforcement Trust Fund		1,361
Bahama Village / Caroline Street TIF Fund		20,384
Navy Outer Mole Payments Fund		34,742
Capital Projects Fund		28,703
Enterprise Funds		
Sewer Fund		332,143
Stormwater Utility Fund		247,473
Solid Waste Fund		294,721
Key West Bight Fund		355,022
Transit System Fund		274,219
Garrison Bight Fund		122,020
Internal Service Fund - Insurance Fund		314,699
Total Indirect Cost Allocations \$		\$ 2,266,181

3.2. Payment in Lieu of Taxes

3.2.1. General

The City may want to consider assessing a payment on lieu of a tax (“PILOT”) fee to the Enterprise Funds. PILOTs are considered a means to partially offset property tax revenue forgone because the Enterprise Fund’s property is tax exempt. Second, they are thought of as contributions to cover a share of the cost of public services provided to the Enterprise Fund by the General Fund that are normally funded with property taxes (e.g., fire and police services, road maintenance).

3.2.2. PILOT Approaches Used by Other Municipalities

A number of local governments in Florida have implemented polices that authorize the transfer of Enterprise Fund revenue to the municipalities’ respective General Funds as reimbursement for the use of General Fund resources by Enterprise Fund activities. In a sample of five of Florida’s cities, every entity employed PILOTs or PILOFs (Payments in Lieu of Fees) as its primary method of interfund transfer between the General and Enterprise funds. These cities include: Hollywood, Clearwater, Fort Lauderdale, Mary Esther, Tampa and Palm Bay. The following examples also include other methods of interfund transfers implemented by respective Cities. In every case, the primary justification for transfers from Enterprise Funds to General Funds is that General Fund operations are entitled to these revenue streams because the City General Fund incurs costs to provide General Fund services, and the City would have received tax revenue if the Enterprise Fund activities were private enterprises.

City of Hollywood

The City of Hollywood has used PILOTS to transfer funds to the City’s General Fund from other City funds. Under GASB 34, these funds are to be reported as Transfers In when included in statements of General Fund Balance.

City of Clearwater

The City of Clearwater has instituted polices that clearly define authorized interfund transfers from Enterprise Funds to the General Fund. They include:

- Direct payments from the Gas Fund to the General Fund along with gas franchise fee revenue.
- PILOT payments from the Water and Sewer, Solid Waste, Marine and Aviation and Recycling Funds to the General Fund.
- Parking fine revenue net of the cost of enforcement and collection from the Parking Fund to the General Fund.

- The City has implemented a policy of annually distributing costs for administrative support departments among all operating departments and charging an Interfund Administrative Charge based on these costs. Increases to this Charge are based on an estimated cost of salary increase index. The City also has a policy that the cost of services provided directly to Enterprise Fund Departments from General Fund Departments are charged to and paid by the Enterprise Fund.

City of Fort Lauderdale

The City of Fort Lauderdale has instituted PILOT payments to the City's General Fund from each of the City's four Enterprise Funds: Sanitation, Water and Sewer, Executive Airport and Parking Services. The PILOTs are designed to provide resources to the General Fund from the Enterprise Funds to recoup the costs provided by General Government Services. The PILOTs are calculated by multiplying the ad valorem tax rate by the undepreciated values of each of the Enterprise Funds' Total Fixed Assets. The calculation is as follows:

$$\begin{aligned} & \text{Value of Land+Buildings+Equipment+Improvements} \\ & + \text{Work in Progress} \\ & + \text{Water and Sewer Lines (For the Water and Sewer Fund only)} \\ & = \text{Total Fixed Assets} \\ & * \text{Ad Valorem Tax Rate} \\ & = \text{PILOT Amounts} \end{aligned}$$

City of Mary Esther

The City indicates that transactions between funds may be represented by a lending/borrowing arrangement at the end of the fiscal year. These transactions can also be advances between funds that must be offset by fund balance reserves in applicable governmental funds to ensure that they are not available for appropriation. The City treats all other interfund transactions as transfers.

City of Tampa

The City of Tampa has assessed Enterprise departments with charges including PILOFs and PILOTs. The PILOFs charges to the Enterprise departments are based on the "cost for the use and maintenance of city right-of-ways." An internal audit conducted by the City revealed that the aforementioned intra-city charges were calculated based on specific formulas tailored for each Enterprise department, but the formulas for each fund were not

disclosed. Furthermore, as a baseline PILOTs were assessed against Enterprise funds based on only 75 percent of their fund’s assets, and PILOFs were assessed in order to receive a 4.2 percent rate of return. The 4.2 percent consists of 70 percent of an initially determined 6 percent rate of return.

City of Palm Bay

The City of Palm Bay has required its Utilities Funds to pay PILOTs to the General Fund and Transportation Funds for services rendered to Utilities Departments from General Fund and Transportation Fund Departments. The PILOT payments compensate the General and Enterprise Funds for services generally provided for all property owners in the City and are based on the equivalent amount of funds that would be received if the utility was a privately operated operation.

3.2.3. Key West Pilot Calculation

If Key West were to implement a PILOT for its Enterprise Funds, it is estimated that it would generate approximately \$442,600 in additional revenue for the General Fund. The calculation of the PILOT is summarized in Table 3-2.

**Table 3-2:
Payment in Lieu of Taxes Calculation**

Millage Rate	\$ 2.9132	per \$1,000 of AV	
	Estimated	Public	PILOT
Description	Asset Values	Asset Value¹	Payment
Enterprise Funds			
Sewer Fund	\$ 87,229,410	\$ 87,229,410	\$ 254,117
Stormwater Utility Fund	21,430,535	21,430,535	62,431
Solid Waste Fund	12,236,082	12,236,082	35,646
Key West Bight Fund ¹	23,496,885	15,272,975	68,451
Transit System Fund	3,555,916	3,555,916	10,359
Garrison Bight Fund	3,965,119	3,965,119	11,551
Total	\$151,913,947	\$143,690,037	\$ 442,556

¹Approximately 65% of the Key West Bight property was included in the PILOT calculation since this portion is dedicated for public purposes, such as parking and common areas. The remaining portion is for private, for-profit purposes, which support the City through ad valorem tax.

3.3. Franchise / Right-of-Way Fees

3.3.1. General

The City may want to look into assessing franchise or right-of-way type fees to the Enterprise Funds. A franchise is a right given by a municipal government to operate a municipal service enterprise within the municipal government's jurisdiction. Franchises are often provided by municipal governments to private companies providing the service, including passing on the cost of use of public right-of-way. However, in the City of Key West's case, these franchises and/or rights-of-way are provided to the City's own Enterprise Funds (solid waste collection, sewer, stormwater, transit, Key West Bight, Garrison Bight). A right-of-way fee is a fee that is assessed by the General Fund to private companies or municipal Enterprise Funds (such as the Sewer and Stormwater Funds), for use of the City's right-of-way and to cover the cost of a right-of-way disturbances and General Fund support during construction-related activities.

Franchise fees are commonly used in Florida and in other States, and are typically based on a percentage of gross revenues or cost per cubic yard or tonnage in the case of solid waste collection. Research reveals that franchise fees for solid waste collection and disposal in Florida ranges from 3 percent to 20 percent of gross revenues. Our research also reveals that right-of-way fee can be calculated using various methods, including a percentage of operating revenues and taxable assessed value of the right-of-way property. Right-of-way fees for sewer, water, and stormwater are typically in the range of 3 percent to 10 percent of gross operating revenues. A summary of franchise and right-of-way fees used by other municipalities in Florida and in other States is provided below. Franchise / Right-of-Way Fee Approaches Used by Other Municipalities

Franchise / right-of-way fee structures in Florida vary depending on the municipality implementing such fees. Research revealed franchise fees appear to be most prevalent than right-of-way fees. Furthermore, a wide array of specific utility services has been subjected to franchise fees, including water, stormwater, wastewater, solid waste, services. Research has also revealed that these fees have been applied to the provision of electrical power, cable and telecommunication services. A summary of franchise and right-of-way fees used by other municipalities is summarized in Table 3-3.

**Table 3-3:
Example Franchise and Right-of-Way Fees Used by Other Municipalities**

Municipality	Utility/Service	Type	Amount
<i>Florida Examples</i>			
City of Clearwater	Electric, Gas	Franchise Fee	6% of Revenues
City of Pensacola	Water, Wastewater	Franchise Fee	6% of Revenues
City of Miami	Solid Waste	Franchise Fee	24% of Gross Receipts
City of Miami Beach	Solid Waste	Franchise Fee	18% of Gross Receipts
City of Miami Beach	Solid Waste	Right of Way Fee	2% of Franchise Fees Paid
City of Jacksonville	Electric, Water, Sewer	Franchise Fee	3% of Revenues
City of Punta Gorda	Electric	Franchise Fee	6% of Revenues
			15% of Revenues from Commercial, 18% from Residential
City of Coral Springs	Solid Waste	Franchise Fee	6% of Natural Gas Sales Revenue
City of Coral Springs	Natural Gas	Franchise Fee	1% of Recurring Service Fees
City of Coral Springs	Telecommunications	Franchise Fee	6% of Power Sales Revenue
City of Coral Springs	Electric	Franchise Fee	5% of Gross Cable TV Revenues
City of Coral Springs	Cable	Franchise Fee	10% of Revenues
City of Fort Lauderdale	Water, Electric, Gas	Utility Tax	6% of Gross Revenues
City of Fort Lauderdale	Gas / Electric	Right of Way Fee	6% of Revenues
City of Sarasota	Electric	Franchise Fee	5% of Gross Receipts
Marco Island	Electric	Franchise Fee	6% of Revenues
Naples	Electric	Franchise Fee	6% of Revenues
Naples	Water, Sewer, Solid Waste, Stormwater	PILOT / Franchise Fee	6% of Revenues
<i>Other State Examples</i>			
District of Columbia	Water	Right-of-way Fee	\$0.14 / CCF
Fairfax, VA	Cable	Franchise Fee	5% of Gross Revenues
Marietta, GA	Water, Electric	Franchise Fee	2% of Revenues
Beaverton, OR	Water, Wastewater, Stormwater	Franchise Fee	5% of Gross Receipts
Eugene, OR	Wastewater, Stormwater	Franchise Fee	6% of Gross Receipts
Albuquerque, NM	Water, Wastewater	Franchise Fee	4% Total Water and Sewer Service Sales
Fort Worth, TX	Water	Right-of-way; Street Rental	5% of Revenue

In addition to the examples shown in Table 3-3, a recent survey of solid waste franchises in Florida found that municipalities that used gross revenue as the basis for charging a franchise fee, established the fee at between 3.0 percent and 20 percent of gross revenues, with an average of 12 percent and a median of 10 percent.¹

The following are examples of how the franchise fees or right-of-way fees are charged and administered by various municipalities in Florida that have instituted such fees.

City of Pensacola, Florida

The City of Pensacola has pledged franchise fees to the repayment of the City's outstanding bonds. These fees are collected under a franchise by the City to the City of Emerald Coast Utilities Authority to operate and maintain a water and sewer system for City residents. The City has instituted franchise fees on the Authority equivalent to 6 percent of the Authority's annual revenues. The City has covenanted that as long as any

¹ *Survey of Florida Solid Waste Franchises*, prepared for Escambia County, Florida, SCS Engineers, September 10, 2008.

Bonds are outstanding, it will take any legal action necessary and available to ensure receipt of the Franchise fees.

City of Jacksonville, Florida

In 2007, the City created a utility franchise fee. Franchise fees are collected by utilities operating within the City and then transferred to City government. In FY2009, Franchise fees consisted of 3 percent of the utility bill, but the City Council can increase this fee up to a 6 percent maximum. Franchise fee revenue has become a more substantial portion of the City's total revenue sources. In FY2011, Franchise fees consisted of over \$40 million in General Fund revenues, compared to \$1.5 million in FY2007.

City of Punta Gorda, Florida

The City of Punta Gorda instituted a Franchise fee for its Power and Light Utility. It is a 6 percent fee collected from its customers on a monthly basis and is accrued as General Fund revenue.

City of Coral Springs, Florida

The City of Coral Springs, Florida has implemented a highly organized and detailed set of Franchise fees, each adapted to suit the pertinent utility service provided. Notably, the City has developed a Franchise fee for solid waste disposal that incorporates customer classes. In the case of Coral Springs, 15 percent of revenue generated from commercial solid waste collection and 18 percent of revenue generated from residential solid waste collection are applied to the City's General Fund Balance on a monthly basis.

3.3.2. Key West Franchise / Right-of-Way Fees

A summary of the Franchise / Right-of-Way Fees that would result from assessing such fees to the City's Enterprise Funds based on the range of fees assessed by other municipalities in Florida is shown in Table 3-4.

**Table 3-4:
Potential Key West Franchise and Right-of-Way Fees**

Enterprise Fund	Fees (% of Revenues)			Annual Revenues	Projected Revenue from Fees		
	Low	Average	High		Low	Average	High
Sewer	3.0%	6.0%	10.0%	\$ 11,647,936	\$ 349,438	\$ 698,876	\$ 1,164,794
Stormwater	3.0%	6.0%	10.0%	2,392,744	71,782	143,565	239,274
Solid Waste	3.0%	12.0%	20.0%	9,282,866	278,486	1,113,944	1,856,573
Transit System ¹	3.0%	4.0%	10.0%	1,066,901	32,007	42,676	106,690
Key West Bight ¹	3.0%	4.0%	10.0%	6,500,198	195,006	260,008	650,020
Garrison Bight ¹	3.0%	4.0%	10.0%	1,459,300	43,779	58,372	145,930
Total					\$ 970,498	\$ 2,317,441	\$ 4,163,281

¹No survey benchmarks available. Instead considered water, sewer, and stormwater as benchmarks.

The benchmark analysis results indicates that the City could generate between \$970,000 and \$4.16 million from its Enterprise Funds if Franchise or Right-of-Way type fees were assessed to these funds. In addition, the City could also consider generating additional revenue by assessing such fees on other utilities, such as water, that is provided by the Florida Kees Aqueduct Authority.

3.4. Summary of General Fund Indirect Costs, PILOT Payments, and Franchise / Right-of-Way Fees

A summary of the General Fund indirect cost allocations, combined with the potential General Fund revenues associated with PILOT payments and franchise/right-of-way fees is shown in Table 3-5. The summary indicates that a total General Fund contribution from Special Revenue, Capital Project, Enterprise, and Internal Service Funds is approximately \$4.4 million, based on the indirect costs calculated and the benchmark fee information gathered as part of this study.

Description	General Fund Budget	Indirect Cost Allocations	PILOT	Franchise / Right-of-Way ¹	Total
Total FY2010/11 General Fund Budget	\$ 47,946,885				
Special Revenue Funds					
Infrastructure Surtax Fund		\$ 109,667	\$ -	\$ -	\$ 109,667
Internal Improvements Fund		128,667	-	-	128,667
Fort Taylor Surcharge Fund		2,361	-	-	2,361
Affordable Housing Fund		-	-	-	-
Law Enforcement Trust Fund		1,361	-	-	1,361
Bahama Village / Caroline Street TIF Fund		20,384	-	-	20,384
Navy Outer Mole Payments Fund		34,742	-	-	34,742
Capital Projects Fund		28,703	-	-	28,703
Enterprise Funds					
Sewer Fund		332,143	254,117	698,876	1,285,135
Stormwater Utility Fund		247,473	62,431	143,565	453,469
Solid Waste Fund		294,721	35,646	1,113,944	1,444,311
Key West Bight Fund		355,022	68,451	260,008	683,481
Transit System Fund		274,219	10,359	42,676	327,254
Garrison Bight Fund		122,020	11,551	58,372	191,944
Internal Service Fund - Insurance Fund		314,699	-	-	314,699
Total Indirect Cost Allocations \$		\$ 2,266,181	\$ 442,556	\$ 2,317,441	\$ 5,026,178

¹Based on average fees shown in Table 3-4.