



THE CITY OF KEY WEST

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MEMORANDUM

EXECUTIVE SUMMARY

TO: Patti McLauchlin, City Manager

FROM: Christina Bervaldi, Finance Director

DATE: July 15, 2022

SUBJECT: Approving Supplemental Gas Tax Sharing Interlocal Agreement (ILA) between the City of Key West and Monroe County, Florida.

Action Statement:

Authorize Mayor to approve Supplemental Gas Tax Sharing Interlocal Agreement (ILA) between the City of Key West and Monroe County, Florida.

Background:

The Florida Department of Revenue (DOR) handles the collection and distribution of the 5-cent and 6-cent gas tax revenues to Monroe County and the municipalities within Monroe County, which includes the City of Key West. The gas tax revenues are the primary revenue source for our Internal Improvements Fund which fund street and sidewalk improvements within the City of Key West. The distributions for these funds were to be based on the transportation expenditures for the previous 5 fiscal years, unless the county and municipalities within that county entered an interlocal agreement setting forth a different distribution formula for dividing the proceeds.

In 2009, the City of Key West entered into a Local Option Gas Tax Sharing Interlocal Agreement between the City of Key West, the City of Key Colony Beach, the City of Layton, the City of Marathon, Islamorada, Village of Islands, and Monroe County which determined the distributions for the 5-cent local option gas tax would be based on the populations of the 6 participants of the ILA and the distributions of the 6-cent local option gas tax would be based on the transportation expenditures for the last 5 fiscal years of the ILA participants.

In 2020, Amendment One to Local Option Tax Sharing Interlocal Agreement was established which implemented periodic reviews to evaluate the method of distribution of the local option gas tax revenues at least every 2 years.

Key to the Caribbean – Average yearly temperature 77° F.

In August of 2021, representatives from Monroe County, the City of Key West, the City of Marathon, the City of Key Colony Beach, the City of Layton, and Islamorada, Village of Islands met to discuss updating the percentages based on current populations and transportation expenditures.

The update of these figures led to the following changes:

	Original 6-Cent Distribution	New 6-Cent Distribution	Original 5-Cent Distribution	New 5-Cent Distribution
City of Key West	36.50%	28.3%	31.21%	31.91%
City of Marathon	9.16%	5.30%	13.17%	11.69%
City of Key Colony Beach	2.00%	0.50%	1.09%	0.95%
City of Layton	1.00%	0.12%	0.26%	0.25%
Islamorada	9.64%	9.20%	9.06%	8.58%
Monroe County	41.70%	56.5%	45.21%	46.62%

Amendment Two will effectively reduce the City's Local Option Gas Tax revenue by approximately \$250,000.

In efforts to allow the City of Key West to absorb this reduction over the next 4 fiscal years, Monroe County has agreed to enter into a Supplemental Gas Tax Interlocal Agreement with the City which will implement the reduction by 25% for the next 4 years by compensating the City the difference of the FY20 distribution of 36.50% and the FY23 distribution of 28.3% The implementation is as follows:

Year 1	Monroe County will pay 100% of difference
Year 2	Monroe County will pay 75% of difference
Year 3	Monroe County will pay 50% of difference
Year 4	Monroe County will pay 25% of difference

Financial Impact:

While Amendment Two will reduce the City of Key West's overall Local Option Gas Tax distribution share by 8%, or an estimated \$250,000 overall, the approval of this Supplemental Gas Tax Sharing Interlocal Agreement will allow the City to realize this loss over a four year period.

Recommendation:

Staff recommends that the City Commission authorize the Mayor to approve the Supplemental Gas Tax Sharing Interlocal Agreement (ILA) between the City of Key West and Monroe County, Florida.