

Merritt Island Incorporation Feasibility Study

Prepared by



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INTRODUCTION

Merritt Island is located on Florida's largest island in Brevard County. Physically located on the East coast between the mainland and barrier island, this area is known as Florida Space Coast and at the Northern most part of the island is Cape Kennedy Space Center and to the Northeast separated by the Banana River is Cape Canaveral. Merritt Island's proximity to the coast affords immediate access to the Atlantic Ocean and the deep-channelled Intracoastal Waterway. Unlike much of Florida's East Coast Merritt Island has maintained the characteristic of an "70's styled community, with a good quality of life.

It is made up of everything from upscale communities of waterfront homes to well-kept middle-class homes that represent a look back at the earlier lifestyles of the Space Coast. There are a few newer commercial areas adjacent to the major east-west highways in the community, and a small but important commercial area governed by the Merritt Island Redevelopment Area that is primed to continue with the early stages of redevelopment.

The proposed City of Merritt Island 2022 population is estimated to be over 44,497 based on the 2020 census and existing utility accounts, with seasonal residents increasing that number. For the purpose of this study, we are using the very conservative number of 44,497 stated in the 2022 Census.

Merritt Island is a well-established community dating back to the early 1940's with family roots going back a couple of generations. The community has the vast majority of the necessary infrastructure (water, sewer, roads, and parks) in place. The driving economic force is a mix of professional space related industries, military, retired military, service industry and some other industrial jobs with a

couple of major employers in the area.

Community leaders in Merritt Island are exploring the viability of incorporation. The primary goals of this consideration are:

- 1) "Home Rule" which would allow area residents to control the future destiny of their community.
- 2) Preservation of the present quality of life.
- 3) Return a greater share of their Brevard County tax dollars to the community.
- 4) To build a community centered plan to meet the future needs of the area's residents.

The residents of Merritt Island prefer the Home Rule powers afforded them by a municipal government. The area has established its own identity and wants to protect its unique way of life, incorporation is not about changing the area, but protecting the area. Merritt Island is well established community and wants to retain its unique culture. The idea driving incorporating, is the area can look after its own needs and work with the county to achieve the goals of all the citizens.

Merritt Island has a small downtown that was never fully developed, it consists of small shops and offices. There is a desire in this area to keep it that way. With the understanding that growth is inevitable, the main movement is to see the downtown area growth to stay consistent with what is existing and in keeping with their existing culture. The incorporation would give the community a chance to actively engage in self-governance and preservation of an established lifestyle and community environment while identifying areas for potential non-residential development to provide additional revenues to deal with some of their unfunded liabilities.

A further goal of incorporation would be to maintain a minimal level of staffing. Wherever possible, municipal services would be contracted, based on cost effectiveness and the ability to provide a desired level of service. The initial intent would be to work with the Brevard County Fire and Rescue to continue services provided by that body. Law enforcement likely would remain a function of the Brevard County Sheriff's Office, with the levels of service established through a contract. Planning, zoning and building inspections would remain a function of Brevard County Government but provided on a contractual basis.

In March of 2023, Brevard County (Client) signed a letter of engagement with BJM Consulting, Inc. This agreement directed BJM Consulting, Inc. to produce an Initial Financial Projections for an Incorporation Feasibility Study to submit to them for review prior to their consideration of a comprehensive feasibility study for incorporation. The study was developed through a series of tasks approved by the Client and was to provide an impartial assessment of the tasks and present the findings to the organization. The assigned tasks were:

- Prepare an initial financial feasibility report looking at the proposed area of Merritt Island
- Development of revenue analysis for proposed incorporated area
- Development of expenditure analysis for proposed incorporated area
- A pro forma presentation of revenue vs. expenditures, forecasted for the initial 5 years of incorporation

Financial projections by BJM Consulting, Inc. are based on information provided by the client, Brevard County, and compared to projections provided by the State of Florida. In addition to developing these financial projections, BJM Consulting, Inc. reviewed many existing documents and reviewed all local government web sites to collect as much of the data necessary to provide the initial financial projections.

The final incorporation study will contemplate two possible alternatives to address all the future governance policy concerns of the residents of the community of Merritt Island: they can remain part of unincorporated Brevard County; or look at the feasibility of incorporation. The initial report addressed only the General Fund financial side of the issue. The client wishes to further examine incorporation, so BJM Consulting produced this Final Report in preparation and support of a proposed charter (Local Bill) to be submitted to the Florida House of Representatives as required by Florida Statutes.

The fiscal analysis assumes a level of revenue generation for the possible incorporation by using all existing levels of taxation and fees being charged by Brevard County and no change in any of the service levels presently being provided by Brevard County in the community of Merritt Island.

BJM Consulting, Inc. extends its appreciation to the individuals and government officials who cooperated in providing data and information which was used in completing this report.

The name and addresses of the three people submitting this proposal are:

- 1.
- 2.
- 3.

EXECUTIVE SUMMARY

SWOT ANALYSIS

The basis of a SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis is to identify the current conditions of an organization/area in four areas. Strengths and weaknesses are areas of concern that presently exist within the organization/area, while opportunities and threats are external and future factors. By identifying these conditions, citizens of the Merritt Island community can make informed decisions on whether incorporation is the best path to address the special needs and concerns of the community.

This SWOT Analysis is a combination of responses from community leaders and citizens along with the observation of BJM Consulting, conducting a “boots on the ground tour” of the area proposed for incorporation.

The SWOT Analysis will be broken up into three parts; overall issues that will affect the community, expenses and revenue issues, and contractual service agreements for key services such as law enforcement, fire protection, streets, stormwater, parks, recreation, code enforcement, planning, land use, zoning and building issues.

It should be noted that the analysis of expenditures and revenues are based on financial projections developed by BJM Consulting, Inc. to support a new and innovative type of local government. In today's changing world many local governments are looking to out-sourcing many services, this new prototype proposes to out-source all government service functions.

Overall Issues

Strengths:

- Merritt Island is a great community. It is made up of a diverse group with a variety of economic backgrounds both working and retired. Most share the love of the water. Boating, wading and fishing the Indian and Banana Rivers which are accessible to everyone. Unlike South Florida where the wealthy have basically prohibited most from accessing the water.
- Good schools and close proximity to Orlando, Medical City, ocean and the airport.
- Great job opportunities with high paying positions from Merritt Island or within commutable locations.
- There are fewer regulations that apply to our properties as an unincorporated area. As a direct result, other than North Merritt Island, you can do more with your property without as much oversight,

- regulations, approval requests or fees.
- Merritt Island is still considered by most to be a rural community. Incorporation would/could jeopardize that perception.
- Location: near beaches, near Port Canaveral, near Space Center, launches, major Visitor Center
- Climate: Tropical. Destination for worldwide visitors.
- Services: Schools, Churches, Library, Fire and Rescue, shopping
- Economy: Sound. High percentage of middle class. High employment with many good paying jobs.
- Residential areas include low-cost housing, waterfront homes, rural areas on North Merritt Island for farming.
- Location: Close to Kennedy Space Center, Cocoa Beach, and the port. Well known because of the rocket launches. Attracts both residents and tourists.
- History: Merritt Island has a rich history from the high schools through the space center.
- Community Engagement: Merritt Island has the feel of a beach City without the heavy tourist traffic. The community is made up of mostly space center workers and local business owners raising families. The island celebrates holidays with parades and festivals with excellent turnouts creating a strong sense of community.
- Small City feeling
- Beautiful- easy access to water
- MIRA has helped a great deal with cleaning up blighted buildings.
- Deputies and Fire do an excellent job. We have a hospital on the island.
- Merritt Island volunteer fire department does so much in the community that our paid fire fighters won't or don't have the time to do.
- Central Business district fairly well maintained 60's to 70's style Florida
- FDOT is redoing SR528
- Municipal airport authority under county commission
- South Merritt Island has relative new housing developments
- Very Healthy Job Market - Engineering, IT, private sector rocket sector space industry
- Well educated work force
- Diversified jobs after NASA slowed down
- South is upper income
- No city taxes
- Sheriff's office
- Local Island mentality and charm

Weaknesses:

- Many businesses could use some beautification. Also, incomplete buildings really drag down the island. The Merritt Island post office always looks like a slum. The grass is overgrown and not well

manicured. I always see palm fronds laying everywhere. I know it's a federal establishment, but why do other post offices look well-kept and ours looks awful. Can a MI representative do something about it?

- The Merritt Square Mall is definitely a weakness. It seems to be hanging on by a thread. It is very depressing. I know the property is privately owned; however, it needs a rebirth. That location is the center of the island. With the hospital going across the street, hopefully it will attract more people and business to the mall area. But it really needs a new beginning.
- Many small businesses are struggling to succeed. They come and go. I feel we could do a better job drawing people, vacationers to the island to help support these businesses. I feel like we are on a downward slide, we need more community events. Live music, foods trucks and farmers market as an example.
- Although we have been blessed with supportive and effective County Commissioners in the past, Merritt Island is simply one district of five and therefore some decisions by county zoning boards and the BOCC can impact such a large unincorporated area.
- Planning and Zoning boards can be very disruptive/uncooperative to development and growth potential.
- Lack of road, solid waste utilities without greater cost.
- Location: Causes excessive traffic coming from the beaches, Port Canaveral, Space Center, tourism. Roads and intersections extremely crowded and high number of accidents. Impatient drivers speeding and not enough traffic and speed enforcement. Roads unable to efficiently handle the current population.
- Climate: Tropical storms cause excessive flooding on streets and residential areas especially on North Merritt Island.
- For the last several years citrus groves on North Merritt Island have been developed into large subdivisions causing flooding on neighboring properties.
- Businesses suffer in many strip shopping areas and vacant store areas are seen up and down the N. Courtenay Parkway corridor.
- Zoning on North Merritt Island has been totally in favor of developers with no regard to current residents' safety, needs and desires.
- Mostly unmanaged growth. There are several types of businesses that are checkered all over the island that bring down the appeal as a place to thrive and raise a family. For example, Cannabis dispensaries, cruise parking lots & Dollar stores. Because Merritt Island is poorly represented at the county level, these types of businesses are allowed to flood the island only for the sake of bringing in revenue to the county. There is no consideration of the impact to island residents or the increased traffic or effect on property values.
- Limited access to financial resources. While Merritt Island has MIRA to help in certain areas, there is so much more that would increase the quality of everyday life for islanders. Some examples, a dog park, a

community pool facility, better use of Kiwanis Island for community events and activities.

- Merritt Island has a very large homeless population. As a business owner I have seen video from behind my retail store during the night. It looks like a scene from the walking dead. The island is overrun with homeless people scavenging for whatever isn't nailed down. Some are walking around in a drug induced stupor while other travel in packs on bicycles. I don't have the numbers from law enforcement, but I would bet that most of the crime at night is committed by our homeless population.
- Lack of services- our streetlight going into our subdivision has been out for 6 months- multiple calls but still no response.
- Lack of conformity in any type of architectural elements- there are at least 20 different fences along Banana River Dr- looks like a low income housing
- No control over land development – our taxes are being spent to improve other districts.
- There are several high traffic roads that need attention, repair bridge that was damaged several years ago north of 528.
- More deputies on duty per shift.
- Schools, especially Jefferson Middle school fights, violence, bullying, administration won't or can't fix and most is not reported because it would damage the school rating.
- Parking for cruise ships in North Merritt is a problem the citizens want to go away
- Poor water quality of stormwater that discharges into the waters of the State of Florida
- North Merritt has standing water in swales full of algae, roads flood during rain
- North Merritt Stormwater Issues needs to be dealt with, could be millions of dollars to fix problem
- Central Merritt Island has canal silting issues they need areas to unload load and dewater of dredging materials
- South Merritt has water pressure issues, main water pipe is too small for fire fighting
- SR 528 has traffic issues during rush hour, it is the main road to the Port
- SR520 widening caused many non-conforming commercial properties making redevelopment difficult
- City of Cocoa Water line may be too small to support fire fighting, Brevard County has taken steps to deal with this issue i.e. keeping a water tender stationed in the area, having equipment to draft from area surface waters, and procuring a fire boat to assist with pumping water to a incident.
- Merritt Park Place is a mixed-use part of the CRA, it has parking issues

- Park system is not in great shape
- Evacuation studies done by the state - in which we have a critical evacuation deficiency - and risks with causeways which flood with higher tides, rain and surge
- Funding is an issue as well for transportation needs - the County has an unfunded capacity needs to transportation of \$699 million due to not updating Transportation impact fees in 23 years.
- The committee proposing taking a look at incorporation has presented a map of the area they are supporting for incorporation that is different than the area proposed by the County. The committee's boundaries southern limits end at SR 404. This could be problematic as it leaves the southern end of Merritt Island as unincorporated Brevard County making service delivery and governance problematic
- The future costs associated with the maintenance/replacement of Mather's Bridge, which connects the island with Indian Harbor Beach could be a large capital maintenance project for the new city\
- Traffic & Traffic
- Too many people that complain about the island that haven't even been here that long and want to come and change everything. If they don't like the unincorporated island, they should understand exactly what that means and then maybe move if they don't like it.

While Strengths and Weaknesses looked at internal and present conditions, Opportunities and Threats look to external and future conditions.

Opportunities:

- A river walk, river front market would be appealing. A place to go for a walk, get a coffee or pastry and enjoy the outdoors or a picnic. Perhaps by Ulumay wildlife sanctuary.
- Check out Founding Fathers Collective in Prescott AZ. I visited this place which has a coffee bakery shop, a wine, beer and mead bar, live music and a barber shop. It was a great place to hang out and catch up with friends or make new ones
- Or consider something like Plant Street Market in Winter Garden. Many small businesses under one roof with indoor and outdoor seating.
- Another opportunity would be to invest in the curb appeal and landscaping of the island. Some was done on 520 and SR 3 but more could be done.
- There is potential for growth with development that with an effective leadership team, promotion could bring revitalization, property improvements, business, and revenue.
- Merritt Island could be addressed as one distinct municipality rather than a North, South and East fragmentation.

- Upgrade of infrastructure and development of available rural areas. Potential zoning restrictions.
- Provide local caring and knowledgeable residents the opportunity to help make the decisions about the area they live, raise their families, work, and shop. Have local leadership who will take into consideration their concerns and warnings as new zonings are considered by governing officials and to place restrictions on future development that may negatively affect them and their quality of life.
- Continue as the MIRA organization is doing to make improvements to the overall appearance viability and livability of the area.
- Create more viable shopping areas and services needed by a new generation of residents.
- Control growth to limit additional flooding and further impact traffic congestion.
- Cape Canaveral Hospital relocating to the island is a great opportunity to attract medical professionals as residents. This would help maintain property values, offer quality jobs to residents and provide growth of our current businesses.
- If Merritt Island had the correct representation and leverage, a healthy working relationship with the port could have great potential for the island.
- There is a tremendous opportunity for Merritt Island to attract quality businesses and more families as residents if a strong marketing plan were implemented.
- Better roads- better road shoulder maintenance- mowing
- Represented in control over development- someone is trying to build a hotel across from Kelly Park-really what are you thinking????
- Taxation without representation!
- Barge canal owned by Port Authority, it provides opportunities for future waterfront development like hotel restaurants and other waterfront entertainment
- Toll booths on 528 to the port let us make some money to clean up the lagoon and rivers
- Tear down the mall and we need new restaurants don't want to go to Viera
- Stop building leave some green space

Threats:

- The threat to the Indian River Lagoon. I believe they are doing better
- Government representation within the county.
- Improved services that currently come from Viera government center, like permitting time and red tape.
- More Sheriff deputies to target crime areas.
- Doing some things to improve the lagoon with 1% sales tax we are

paying. The concern is what if it doesn't work. The river is a big part of our island life.

- Affordable housing is a threat. Most young Islanders are having to move to Rockledge and Viera to buy a home. A neighborhood with homes in the mid 300 to 400 for the young professionals would be a great addition.
- Merritt Island has no Local Police, Fire Rescue or Emergency Services, which would require service contracts. The start-up financial impacts are not cost effective.
- Service contracts will provide dedicated services but are costly and are impacted by state unfunded mandates.
- Brevard County is the only county in the state of Florida with a Charter Cap on revenue. This directly impacts the county's ability to generate the revenue needed to support all services. As a result, tough decisions must be made, what services must be cut... road maintenance, public transportation, utility upgrades, libraries, parks, law enforcement, fire rescue?
- Port expansions mean even more traffic. Roads and bridges inadequate to handle.
- SR-528 bridge/barge canal intersection will continue to get more uncontrollably congested.
- Being a barrier island, sea level rise is causing more areas to flood.
- Sewer treatment plant using an injection well located on a barrier island might not be sustainable.
- What does the future hold for continuing to receive water supply from under the Indian River Lagoon from Cocoa?
- Port Canaveral is a threat to Merritt Island as it is the gateway for travelers to reach them. There always seems to be a train, more parking, something detrimental to the island in the works.
- Continued reckless growth. As mentioned above, the continued county approval of unfiltered businesses opening on the island degrades its community feel and sends it spiraling downward to just a low-level area of Brevard.
- The possibility of elimination of MIRA would be devastating to the island. With only one seat at the county level representing the island, removing this organization would certainly be the beginning of the total demise of our island community. Imagine eliminating all the work they do and not replacing it, but directing those county resources elsewhere, not a pleasant picture. I would move.
- Uncontrolled growth
- Increased traffic thru our neighborhoods
- Water pollution- need waste management not septic tanks!
- Cost of housing for seniors and veterans. Most all the lower income / more affordable housing has all been sold to a company in NY. About 1,000 plus apartments are drastically increasing in rent so our seniors and veterans will become homeless soon.

- Reduced taxable income per Equivalent Residential Unit (ERU) to address on high-risk barrier island community for affordable housing under SB102 which affords a 75%-100% tax break.
- Whether it is possible for the new city to be exempted for SB102 based on existing County Ordinance
- Traffic
- Waterway overuse
- Traffic it is a huge issue more lanes more lanes on bridges

The next three sections examine conditions associated with the "Government Lite" form of government and the assumptions used in developing the fiscal forecast.

Expenses

Strengths

- The existence of conservative expenditure estimates and projections
- The existence of a financial plan that includes budget contingencies or reserves
- A service-delivery plan that limits allocation of local government staff while emphasizing contractual services/private sector competition

Weaknesses

- Even though existing local elected policy boards may favor entering into contractual agreements to provide services, a change in political leadership could result in the local government of Merritt Island having to provide all services in-house or pay high costs to continue the services

Opportunities

- Merritt Island would have the ability to implement an innovative, lean and progressive municipal government organization focused on supplying specific levels of service
- The City would have the ability to negotiate specific levels of service from other governmental or private organizations that already provide services to or near the community

Threats

- The potential inability to negotiate long-term agreements with

contracting agencies for delivery of service could force the community to provide those services in-house

- There is a potential need to establish in-house service providers in the future
- There are limited dollars identified in the budget to meet the Disaster Reserve needs. This is a major concern!

Revenue

Strengths

- The use of conservative revenue estimates and projections
- The availability of diverse revenue capacity in areas of ad valorem property taxes, public service tax, franchise fees, licensing and permits, user fees and fines available to Florida municipalities
- A history of growth in assessed property values

Weaknesses

- Overall reliance initially on property tax to balance the budget
- Due to the fact that a large percentage of the residential properties are Homesteads, the Save Our Home Amendment could have the effect of loading the burden of local government on the remaining property owners

Opportunities

- The ability to petition the state Legislature in order to receive state shared revenues one year earlier than allowed by statutes
- The ability to alter revenue mix bases on the desires of the community
- The ability to negotiate with other governmental bodies on behalf of Merritt Island's need for capital dollars through grants and partnerships

Threats

- The inability to initiate revenue-raising capability for State Share Revenues and Communication Services Tax if the timeline is not adhered to.
- The inability to develop the needed funds for the disaster reserves could bring about a need for increase taxes in the early years of the incorporation

Contractual Services (Law Enforcement, Code Enforcement, Planning Zoning and other local government services)

Strengths

- The ability to utilize the strengths and sizes of other agencies in terms of manpower, training and equipment
- The ability to avoid extensive capital costs necessary to begin departments such as police, fire and dispatch for fire and police and geo-processing capabilities for planning and zoning
- The ability to avoid the need to hire support personnel for law enforcement, fire and planning and zoning staff
- The ability to negotiate with Brevard County, other local governments, or private sector vendors for services setting up a competitive environment

Weaknesses

- The inability to control policy decisions made by agencies with whom contracts are formed. The Sheriff, Fire Commissioners and County Government staff all have outside interests that could conflict with the interests of Merritt Island and its residents. While contractual provisions could be incorporated into the agreement for services, day-to-day policy is too cumbersome to be part of the agreement. Contractual agreements would guarantee that certain levels of service would be provided, immediate demands or changes in desired levels of service, or the focus of efforts would not be as easily changed when compared to in-house staff

Opportunities

- Contractual services with outside agencies in the early years of a municipality would allow policy makers and citizens to keep the initial costs of municipal government to a minimum by avoiding extensive capital costs
- Additional staffing to handle delivery of essential services could be added in the future
- The ability to increase or decrease personnel and levels of service based on provisions of the contracts

Threats

- A change in political or administrative leadership in outside agencies could eliminate the willingness to negotiate for services, or drive up the costs for those services in the future
- Delays in negotiating contractual services could leave the City

without essential services such as law enforcement patrol or fire protection, or hamper the City's ability to meet comprehensive plan submission deadline

Share any concerns you have regarding the present level of local government services provided within the Merritt Island Community.

The county lacks the ability to generate revenue to adequately service all of the unincorporated areas of the county. D2 was impacted for a time period with no Board Commissioner, which resulted in zero representation during that time period. Politics are politics, so a municipal representation would still be political, but at least it would be regionalized to Merritt Island.

As zoning issues go before the County Commissioners, time and time again over the years, the Commissioners have voted against the will of the people living on Merritt Island and instead support the developers, even to the degree of changing the Comprehensive Plan to gain increased density.

Commissioners are not totally vested in making decisions for local areas that could and should be made by a local community or municipality.

It's unfortunate that the island doesn't receive its share of support and service relative to the percentage of money contributed to the county. I have no idea what they even are- besides basics- EMT and shared Fire Department, some public park maintenance.

Who makes the decisions and how are they voted in? I thought the county commission made decisions for the island. I like that we are different.

Share any concerns you have regarding the community of Merritt Island becoming a municipality.

There may be added expense. Knowing what the expenses would be and what the Island would get in return would help in the decision process.

Also finding the right people for the job would be a concern.

Increased costs for the same level of services, or less. I have been blessed to live on Merritt Island since 1976. I attended school, raised a family and have worked on the Island. It would be counterproductive to incorporate and then spend more for the same or less level of services. I truly believe you get what you pay for, but there are many who have moved from over regulated, highly restricted areas with federal, state, and outrageous local taxes/fees. Merritt Island is heaven for those citizens who will continue to fight against paying for services.

Effectively dealing with opponents of becoming a municipality.

Keeping taxes close to what is currently being assessed.

Getting best and qualified people to make a fast and efficient transition.

Creating effective communication for residents to understand the benefits.

It's unfortunate that the island doesn't receive its share of support and service relative to the percentage of money contributed to the county.

I Live in Island Crossing and value our HOA rules, so we maintain property values.

Property tax increase, Property tax increase, Property tax increase
I understand some items we pay for now on our property tax bill will go away, and new items will appear, just unknow what final effect will be. Most people do not mind paying for services as long as they are getting the service.

Taxes increased loss of sheriff's department won't be needed. Does Sherriff Ivey know this?

Share any hopes you have about the community of Merritt Island becoming a municipality.

It would be nice to have representatives advocating directly for us. I'm not sure how all the finances work, but we do pay a lot in taxes. It would be nice for some of the money to directly benefit our island.

I'm not advocating for or against the incorporation of Merritt Island at this time. I would like to see more information about the concept. Sometimes less is more, unincorporated areas usually recognize less regulation of land use, zoning, and building codes. Incorporation will most likely allow for greater local control and autonomy over services and finances, but they may come with a cost that some/many will not wish to bear. Like many, I do wish to live life in a way that is important to me and my family. I wish the same for my neighbors. I do not like to live on a dirt road, but the Board of County Commissioners are faced with repaving hundreds of miles of paved roads each year, so a dirt road to the Commission is not a priority. I do not like to see local county zoning boards pressure against a lack of development or land improvement all in the name of density. Incorporation will allow for direct control over revenue and more of a home rule approach where they would elect their own leaders and make their own rules for their respective citizens and community.

High hopes that Merritt Island could finally have a real voice in all zoning and development matters. This is long overdue.

Would love to see signage and efficiency of planning and growth handled locally.

Area is extremely fragmented in locations for businesses and services with no overall planning and grouping. Need a master plan for future growth and development.

Citizens need a local place where they can seek information, help and support. Many do not feel comfortable going to Viera for local services.

Improving Infrastructure, Parks and Recreation, supporting education, Social Services, Planning and Development, Community Engagement, Economic Development

Thoughtful planned growth that meets the needs of the residents

Adequate infrastructure to meet current and future growth needs

Sorry I can't think of any however I will be open minded.

I don't wish it to be a municipality.

How do you view the governance of Merritt Island as presently being provided by Brevard County?

I'm not well enough educated in this area to give an opinion. But there is always room for improvement.

We have been blessed with outstanding commissioners and State Representatives over the years who have effectively represented Merritt Island. Good sound leadership is the most Important factor.

The county does a good job of providing many services, but Merritt Island needs to reduce its dependency on the County and begin to manage its services locally.

It's unfortunate that the island doesn't receive its share of support and service relative to the percentage of money contributed to the county.

Have representation on County Commissioners elected by MI residents. Typical City government- City Manager etc.

My option is that MIRA gets things done on Merritt Island, not sure where we would be without MIRA.

Could be worse if it becomes a municipality.

This should be sent to every property owner and not sneaky like this.

Task1
REVIEW OF EXISTING SERVICES

Merritt Island is currently receiving services from Brevard County Government. These services include maintenance of rights-of-way (supported by the Road & Bridge District 2 MSTU), parks, all developmental services, code enforcement, library, recreation and cultural services (operation and debt) supported by the Merritt Island Recreation District MSTU, and other general governmental services. Water and sewer service is being provided by the Brevard County Utilities and City of Cocoa Utilities. Fire protection is provided by the Brevard County Fire Control, supported by a MSTU and Fire Assessment. Law enforcement is the responsibility of the Brevard County Sheriff's Department supported by a Law Enforcement MSTU. Emergency Medical Services are being provided by Brevard County EMS.

Other government services are being provided by the Brevard County Court, the Circuit Court of the Eighteenth Judicial Circuit, the Middle District Court of Appeals and the St. Johns River Water Management District. There will be no initial impact on these districts due to incorporation. The area will still be serviced by the Brevard County School District without any change or impact on the system. Transportation services are provided by Brevard MPO and will continue to be provided after incorporation. The only difference is the area may have a seat on the MPO providing local representation and oversight for these services.

The Brevard County Sheriff will continue to provide the present level of service to the new City. This is done under the direction of the Florida Constitution defining the Sheriff as the Chief Law Enforcement Officer in each of the Counties in the State. Brevard County presently funds the Sheriff's office through their general fund ad valorem millage and a County wide MSTU. After incorporation all properties within the area proposed for incorporation will continue to pay the Brevard County general fund ad valorem millage along with the MSTU Millage through a new City millage to support the continuation of these services within the City at the present levels of service.

Other services are provided by private sector companies. Power is provided by FPL and phone and internet service by Community Phone, Comcast, Vonage, Verizon, AT&T Cox and Spectrum. Solid waste hauling and disposal is provided by Waste Management through a franchise agreement with Brevard County.

Present land use characteristics of Merritt Island include residential, commercial, conservation, public facilities, and institutional designations with some industrial areas mixed in. Attached is a copy of the Merritt Island Land Use Map as (**Appendix 1**). The listing of existing Brevard County land uses are included on Appendix 1. As of March 2023, there are no pending land use in the proposed area of incorporation.

The area considered for the proposed incorporation is approximately 16.97+/- square Miles, or 10,860.8 +/- acres (**See Map Appendix 2**). The estimated permanent population for this area at 44,497, this equates to a population density of 4.10 persons per acre which exceeds the minimum density requirement of 1.5 persons per acre required by the statutes for incorporation.

As an island community the proposed area is compact, contiguous, and amenable to a separate municipal government (**See Map Appendix 2**). It has an estimated population of 44,497 which exceeds the 5000 required by the statutes.

There are multiple existing municipalities within the 2 mile buffer required by State Statutes. All these cities are separated from Merritt Island by natural bodies of water. This meets the exception language in the statute as being separation by a natural geographic boundary.

The area of Merritt Island proposed for incorporation meets all the requirements of State Statutes to be considered for incorporation.

It is projected after incorporation; most governmental services would continue to be provided by the current agencies. The method of paying for these services would be changed to utilize revenues collected by the new local government. In lieu of citizens of Merritt Island contributing to Brevard County's MSTU for Fire, EMS, Law Enforcement, Recreation, Roads and Road & Bridge District 2 they would pay the same millage to the New City. The citizens of Merritt Island Would also continue to contribute to the County's Non-Ad Valorem Assessment Districts for Fire, Solid Waste Collection and Disposal, and Stormwater District 2, The City would establish interlocal agreements with Brevard County, other local governments or contracts with private sector companies to provide the present levels of service continue throughout Merritt Island.

We reviewed information from the County Administrators about the validity of our methodology and proposed estimates for the cost of the MSTU services. Based on our communication with County staff we believe the County will agree to continue to provide the MSTU/MSBU services through an interlocal agreement with the newly formed City. The amount charged for services will be equal to the amount presently being collected through the County's MSTU millage and MSBU Assessments for each service without any additional administrative fee. Based on BJM's experience with other newly formed cities who use this method of providing local services, County staff will not negotiate letters of intent or memorandums of understanding with a group contemplating incorporation, and then renegotiate the same document with the newly formed body of elected officials after a successful incorporation effort. County staff can see this as the newly formed municipality getting two bites at the apple.

There would be no impact on any other of the taxing authorities having jurisdiction over the area proposed for incorporation. All taxing agencies would

continue to collect ad valorem tax dollars as they do presently.

The existing Brevard County neighborhood CRA, The Merritt Island Redevelopment Agency (MIRA) could continue to exist as is until a decision is made by the Merritt Island Council to change it. They could negotiate with Brevard County to take over MIRA through an Interlocal agreement, or they could agree to dissolve the County's CRA and establish a new one under the total control of the City.

How would incorporation impact the existing services in the community, and what would be the duties of the new City government?

The proposed structure of operations would have the City unifying the area's land use, zoning, building, and code regulations. This would initially occur under the authority of the Brevard County Comprehensive Plan and land use and zoning regulations, with the City having enforcement authority. The City would also be a new partner to all present services providers. The existing Franchise agreements with FPL and Waste Management would continue to be in place until the City is legally able to establish new agreements.

The City would not be the provider of services, rather it would establish levels of service, prioritize capital and maintenance projects, and be a resource for all community groups. **There will be no change in cost for all governmental and public utility services to the residents of Merritt Island if it were to incorporate.**

The following is a comparison of the estimated cost of government services provided by Brevard County for FY 2023 within the Merritt Island area if they remained part of unincorporated Brevard County versus becoming a newly incorporated area.

	<u>Unincorporated Brevard County</u>	<u>City of Merritt Island</u>
County General Fund		County General Fund
G/F Taxes	\$14,478,462	\$14,478,462
County MSBU's		
	\$12,110,574	\$12,110,574
County MSTU Funds		City General Fund
	\$10,915,106	\$10,915,106
Local Gov't Cost		
	\$0	\$2,766,044
Total Cost	\$37,504,142	\$40,270,185

Under the above scenario Merritt Island will continue to pay for those services that are funded with ad valorem taxes due to Brevard County through the County's General Fund ad valorem tax. These areas include Sheriff, Public Works, Street lighting, Library and Cultural. Other areas now funded by County

MSTU's will continue to be funded at the same levels by collection of the City's ad valorem millage. These areas are Library, Fire, Recreation, Law Enforcement, and Roads & Bridges.

The total cost of local government services within the proposed City of Merritt Island will be \$900 per capita which puts in line with other Florida cities using the government lite philosophy.

The increased cost to Merritt Island residents for the city administration of \$2,766,044. Based on per capita, the increase will be \$62 per capita. This cost will be absorbed by additional revenues raised from non-ad valorem tax sources.

Unfunded Liabilities

Potential unfunded liabilities are mentioned throughout the SWOT Analysis We list them here with our best cost estimates, based on staff estimates, review of other experts, research of local documents, and our own experience.

Maintenance dredging of existing canals: presently funded at \$164,000 annually should be funded at the minimum of \$500,000 per year. Annual deficit of \$336,000

North Merritt surface water runoff and flooding. This is both a quantity and quality of water issue that will take capital and reoccurring funding. Estimate an annual budget of \$5 to \$10 million for at least 5 years.

The future costs associated with the maintenance/replacement of Mather's Bridge, which connects the island with Indian Harbor Beach. \$40 million one-time capital expense

Present level of County funding is an issue for transportation needs - the County has an unfunded capacity needs to transportation of \$699 million. The New City's Portion could be \$50,328,000 This amount could assist in raising evacuation routes that presently flood.

Financial impact of a natural event (Hurricane) in the early years without disaster reserves. These events can cost up to \$500,000 per day for response and clean up.

Task 2
DEVELOPMENT OF A POSSIBLE
INCORPORATION/REVENUE TIMELINE
FOR CITY OF MERRITT ISLAND

This study assumes the following incorporation/revenue timeline for the City of Merritt Island:

<u>Date</u>	<u>Activity</u>
August 2023	Initial Incorporation study is completed
September 2023	Final Feasibility Study with Charter and instrument showing support for incorporation is presented to local delegation and the State of Florida
October 2023	Brevard County Local Delegation passes the local bill for incorporation
January 2024	Local bill goes to Florida Legislature, and is passed
Spring and Summer 2024	Community debates the pros and cons of incorporation
August 2024	Incorporation referendum passes.
December 2024	City becomes a legal entity.
March 2025	City local election held and first City council meeting occurs
April 2025	City begins receiving state shared revenue (provided City charter is approved)
November 2025	City begins receiving ad valorem tax revenue
July 2026	City receives state shared revenue if strict timeline is held.

Local governments operate on an October 1 - September 30 fiscal year. The State of Florida however, follows a July 1- June 30 fiscal year. In order for the newly incorporated City of Merritt Island to qualify for ad valorem taxes and various types of state shared revenues, it must meet property appraiser

deadlines and comply with state-mandated criteria for state shared revenues.

If Merritt Island does become a legal entity by December 2024, it should begin receiving property tax revenues collected by the Brevard County Tax Collectors between November 2025 and January 2026. Unlike other attempted incorporations, Merritt Island is a clearly established dependent taxing district with clearly identified boundaries. This should make cooperation and coordination with the Brevard County Property Appraisers that much easier.

The important dates to remember for revenue purposes are:

Establishment of a tentative millage (following public hearings) on or before August 4, 2025

Adoption of a final millage rate (following two public hearings) on or before September 30, 2025

With regard to state shared revenues, The City of Merritt Island must meet specific criteria established in F.S. 218.23(1), which states:

"To be eligible to participate in revenue sharing beyond the minimum entitlement in any fiscal year, a unit of local government is required to have:

A) Reported its finances for its most recently completed fiscal year to the Department of Banking and Finance pursuant to s. 218.32.

B) Made provisions for annual post audits of its financial accounts in accordance with provisions of law.

C) Levied, as shown on its most recent financial report pursuant to s.218.32, ad valorem taxes, exclusive of taxes levied for debt service or other special millage authorized by voters, to produce the revenue equivalent to a millage rate of 3 mills on a dollar based on the 1973 taxable values as certified by the property appraiser pursuant to s. 193.122(2) or, in order to produce revenue equivalent to that which would otherwise be produced by such 3 mill ad valorem tax, to have received a remittance from the county pursuant to s. 125.01(6)(a), collected an occupational license tax or a utility tax, levied an ad valorem tax or received revenue from any combination of these four sources. If a new municipality is incorporated, the provisions of this paragraph shall apply to the taxable values for the year of incorporation as certified by the property appraiser. This paragraph requires only a minimum amount to be raised from the ad valorem tax, the occupational license tax and the utility tax. It does not require a minimum millage rate."

Remember that the State operates on a July 1-June 30 fiscal year. Merritt Island may not be eligible for state shared revenues until July 1, 2026, because of the time lag between the date of incorporation and the beginning of the State fiscal year.

Revenue Timeline Findings

The City of Merritt Island proposed revenue timeline projects state shared revenue as of March 2025, pending approval of the necessary language in the City Charter. If this does not occur, the July 2026 date is well into the proposed municipality's second fiscal year; the City should then be able to meet the criteria established F.S. 218.33(1). Thereafter, state shared revenue is distributed on a monthly basis. This revenue timeline appears accurate, provided incorporation and other steps toward becoming a legal entity are completed within the proposed incorporation calendar.

Task 3
DEVELOPMENT OF REVENUE ANALYSIS
FOR MERRITT ISLAND

For the purpose of this study the revenue analysis is based on a population of 44,497 (US Census Data) and taxable value of \$4,672,272,550 for the proposed area of incorporation for Merritt Island.

Municipal Revenues

Municipal governments utilize a wide variety of revenues to pay for services provided to their citizens. Responsible municipal governments attempt to balance their revenue sources to produce long-term solvency while utilizing a revenue mix that is compatible with local needs. Depending on these needs, municipal officials should conscientiously formulate a mix of revenues that will pay for municipal operations and services.

Florida's state constitution gives municipalities home rule authority in all areas except taxation. A municipality has the discretion to perform any public service, or enact any ordinance unless specifically prohibited by the state. The constitution restricts municipalities to levying taxes that specifically have been authorized by general law enacted by the Florida Legislature. The lone exception is property tax. It is the only local revenue source authorized by the constitution and is capped at 10 mills for general operating purposes. A mill is equal to \$1 of tax for each \$1,000 of taxable value.

The following is an overview of general fees and revenues typically available to a municipality.

Ad Valorem Property Tax

Property taxes are based on the value of real and personal property. Each year the county property appraiser determines the total value of each parcel of property. The value of residential property is based solely on the value of the real estate, which includes the buildings and improvements, while commercial property includes these values in addition to all relevant personal property. This value is called "assessed value." After subtracting all lawful exemptions (i.e. Homestead, \$50,000; widow, \$500; widower, \$500; disability \$500 and others), the remaining value is called "taxable value."

Ad valorem taxes are based on taxable value. The property tax is calculated by multiplying taxable value of property by .001, and then multiplying that number by the rate of taxation, which is referred as "mills" or "millage rate." For example, for a home assessed at \$250,000 by the county property appraiser, the taxable value would be \$200,000 after deducting the \$50,000 Homestead exemption. If the municipality's millage rate were 5.0 mills, the property taxes would be \$1,000

(\$200,000 x .001=\$200 x 5.0 mills = \$1,000.)

All property taxes are due and payable on November 1 each year or as soon as the assessment roll is certified by the Brevard County Property Appraiser. Brevard County will mail each property owner a notice of taxes due to the city and the discount rate for paying taxes (4 percent if paid in November, 3 percent if paid in December, 2 percent if paid in January and 1 percent if paid in February.) There is no discount if taxes are paid in the month of March, and taxes are considered delinquent after April 1.

The Merritt Island area for incorporation taxable value for the 2023 tax year was estimated to be \$4,672,272,550. Based on this estimate, the City of Merritt Island tax revenues for fiscal year 2023 per one mill levied can be projected as follows:

Taxable value	\$4,672,272,550
<u>x the percent 0.95</u>	
Revised Taxable Rate	\$4,438,658,923
<u>x millage rate .001</u>	
Estimated Property Tax	\$4,438,659
Revenues at 1 mill for FY 2024	

Ad Valorem Property Tax Findings

Historically, Merritt Island property owners have taken advantage of the various discounts offered by the Brevard County Tax Collector. The certificate of taxable value does not account for such discounts; therefore, a 95 percent projection represents a reasonable and prudent estimate technique used by numerous local Florida governments.

For the purposes of this study, we will use the County's MSTU Millage: Merritt Island Recreation District MSTU 0.2684; Merritt Island Recreation District Debt MSTU 0.3801; Fire Control MSTU 0.5458; Law Enforcement MSTU 0.9660; Road and Bridge District 2 MSTU 0.1914; Merritt Island Library Taxing District Millage of 0.1074 will be added together as the original City of Merritt Island Millage of 2.4591. The County also presently charges a Residential Fire Assessment which averages \$277.16 per Equivalent Residential Unit (ERU), but each parcel is billed by a base rate factor group then further delineated by square footage to determine the appropriate bin to be placed within resulting in \$5.4M in revenue for roughly 20,300 residential parcels, a Residential Solid Waste Assessment of \$62.13 for disposal per Equivalent Residential Unit (ERU) and \$206.11 for collection and a Stormwater Assessment of \$51.20. The study contemplates the area residents would continue to pay for these services the same way after incorporation.

The new municipal area of Merritt Island will collect a millage of 2.4591 mills yielding a revenue of **\$10,915,106 for FY 2024**.

Each ERU pays an **additional average of \$596.58 in annual assessment** to the County which equates to more than an additional 2 mills in taxes for local services. This added to the initial city millage of 2.4591 makes the Merritt Island area eligible to participate in the State of Florida SSR.

Public Service Tax

The Public Service Tax, also called the "Utility Tax", is another substantial revenue source. This tax is levied by the municipality on specific utility services collected by the utility provider, even if the provider is the municipality itself. The tax is incorporated into the utility bill and is based on relative consumption.

Section 166.231 of the Florida Statutes provides authority to assess a tax based on the purchase of electricity, telephone and telegraph, water and heating fuels (natural gas, propane, fuel oil and kerosene) at a rate not to exceed 10 percent.

Public Service Tax Findings

Because this tax has not been approved for use in unincorporated Brevard County the City of Merritt Island incorporation analysis does not include revenues associated with a Public Service Tax; therefore, implementation of the tax at a later date could produce two results--additional revenues to either support programs or reduce ad valorem property taxes.

Franchise Fees/Communication Service Tax

Franchise fees generate revenues in much the same way as the Public Service Tax. Franchise fees, however, typically are levied on a company or utility for the privilege of doing business within the municipality's jurisdiction and/or for utilizing a municipality's right-of-way to transact business.

Franchise Fees/Communication Service Tax Findings

Brevard County presently does levy franchise fees on utility services and also collects communication service tax (Telephone & Cable TV) from the State, but the county retains the revenues derived from the collection of these fees. If the area of Merritt Island is incorporated, it would share in the communication service tax revenues from the State and collect the revenues from the utility franchise fees paid by users within the proposed boundaries. A Communication Tax Ordinance would have to be enacted prior to September 1, 2024, to be effective January 1, 2025. Additional or increased fees adopted at a later date could produce one of two results -- additional revenues to either support municipal

services or programs or reduce ad valorem property taxes.

Based on projections developed from using revenues projections for Brevard County's FY 2023 Budget; franchise fees/communication service tax revenue for the area of Merritt Island fiscal year 2024 are estimated at **\$4,676,513**

User Fees

The Florida Comptroller defines user fees as "voluntary payments based on direct measurable consumption of publicly provided goods and services." User fees are derived from charges for water, wastewater, natural gas, electricity, mass transit, garbage collection, parks and recreation, building inspections, public transportation, special public safety services and a variety of other services.

User fees have substantially increased as a proportionate share of a municipal budget since the 1970's. For some services, fees are charged at rates below the actual cost and partially are offset by taxes. This is necessary for some services so that residents on fixed incomes are not excluded due to high prices. For other services, user fees cover the full cost of service delivery; these services are called enterprise operations. A golf course would be a typical example of an enterprise operation.

In recent years it has become common for municipalities to incorporate "administrative charges" to offset indirect administrative costs computed as a percentage of gross collections on various enterprise operations, such as electric, water, natural gas, golf course, airport parking and other fee-type services. These show up on the revenue side as "transfers to the general fund" and overhead.

User Fees Findings

The City of Merritt Island analysis does not include revenues associated with user fees as revenues or expenditures to the general fund. It is projected all existing user fees would be adopted by the City of Merritt Island and pay for the services they are presently supporting.

Intergovernmental Revenue

This category is referred to as "revenue sharing." These revenues are collected by one government and shared with other governmental units. The major sources are delineated below.

Municipal Revenue Sharing

The Revenue Act of 1972 (Florida law, chapter 72-360) describes state revenues that are shared between counties and municipalities.

"Eligibility Requirements

Pursuant to s. 218.23, F.S., a local government must meet the following requirements to be eligible to participate in revenue sharing beyond the minimum element in any fiscal year:

- 1) Report its finances for the most recently completed fiscal year to the Department of Banking and Finance, pursuant to s 218.32 F.S., (s. 218.23(1) (a), F.S.).
- 2) Make provisions for annual post audits of its financial accounts in accordance with law, pursuant to chapter 10.500 Rules of the Auditor General (s. 218.23 (1) (b), F.S.).
- 3) For local governments eligible in 1972, levy ad valorem taxes (excluding debt service and other special millage) that will produce the equivalent of three mills per dollar of assessed valuation, based on 1973 taxable values as certified by the property appraiser, or collect an equivalent amount of revenue from occupational license tax, or a utility tax (or both) in combination with the ad valorem tax; or for municipalities eligible after 1972, the three mill equivalency requirements will be based upon the per dollar of assessed valuation in the year of incorporation (s.218.23(1)(c), F.S.).
- 4) Certify that its law enforcement officers, as defined in s. 943.10(1), F.S. meet the qualifications established by the Criminal Justice Standards and Training Commissions, its salary structure and salary plans meet the provisions of Chapter 943, Florida Statutes, and no law enforcement officer receives an annual salary less than \$6,000. However, the Department of Revenue may waive the minimum law enforcement salary requirements, if the municipality or county certifies that it is levying ad valorem taxes at 10 mills (s.218.23(1)(d), F.S.).
- 5) Certify that its firefighters, as defined in s. 633.30(1), F.S. meet the qualifications for employment established by the Division of State Fire Marshal pursuant to ss.633.34 and 633.35, F.S. and that provisions of s.633.382, F.S. have been met (s.218.23(1)(e), F.S.).
- 6) Certify that each dependent special district that is budgeted separately from the general budget of the local governing authority has met the provision for an annual post audit of its financial accounts in accordance with the provisions of law (s.218.23(1)(f), F.S.).
- 7) Certify to the Department of Revenue that the requirements of s.200.065, F.S. ("TRIM") are met, if applicable. This certification is made annually within 30 days of adoption of an ordinance or resolution establishing the

final property tax levy, or if no property tax is levied, not later than November 1 (s.218.23 (1)(f), F.S.).

8) Notwithstanding the requirement that municipalities produce revenues equivalent to a millage rate of three mills per dollar of assessed value (as described in paragraph three), no unit of local government that was eligible to participate in revenue sharing in the three years prior to participating in the Local Government Half-Cent Sales Tax shall be ineligible to participate in revenue sharing, solely due to a millage or a public service tax reduction afforded by the Local Government Half-Cent Sales Tax (s.218.23(3), F.S.)."

Pursuant to s. 218.21(3), F.S., all municipalities created pursuant to general or special law and metropolitan and consolidated governments as provided in Section 6(e) and (f) of Article VIII, Florida Constitution (i.e. Metro-Dade and Jacksonville-Duval,) are eligible to participate in Municipal Revenue Sharing Program if they fulfill the necessary eligibility requirements.

However, a number of other governmental entities are judged ineligible to receive municipal revenue sharing funds. For example, Attorney General Opinion 77-21 stated that municipal service taxing units (MSTUs) sometimes referred to as municipal service benefit units (MSBUs) are not eligible to receive funds from the Municipal Revenue Sharing Trust Fund. Two additional options determined that both regional authorities (AGO 74-367) and other authorities such as housing authorities, (AGO 73-246) also are ineligible to receive municipal revenue sharing dollars.

If a local government fails to comply with the eligibility requirements, s 218.23(1) (f), F.S. provides that the revenue sharing funds forfeited by the local government shall be deposited in the General Revenue Fund for the 12 months following a determination of noncompliance by the Department of Revenue. More typically, the revenues for an ineligible government are distributed among the remaining eligible governments until the causes for ineligibility are determined and rectified, at which time the city or county is refunded the dollars that were disbursed among all eligible municipalities or counties.

The amount and type of revenues shared with an eligible municipality is determined by the following procedure.

First, a municipality's entitlement shall be computed on the basis of the apportionment factor provided in s.218.245,F.S., and applied to the receipts in the Municipal Revenue Sharing Trust Fund that are available for distribution. The resulting amount is labeled entitlement money. This is the amount of revenue, which would be shared with a unit of local government if the distribution of the revenues appropriated were allocated on the basis of the formula computations alone.

Second, the revenue to be shared via the formula in any fiscal year is adjusted so no municipality receives less funds than the aggregate amount it received from the state in fiscal year 1971-72. The resulting amount is labeled guaranteed entitlement or hold harmless money. Those municipalities incorporated subsequent to 1972 receive no guaranteed hold harmless money.

Third, revenues shared with municipalities shall be adjusted so that no municipality receives less funds than its minimum entitlement, the amount of revenues necessary to meet its obligations as a result of pledges, assignments or trusts entered into which obligated funds received from revenue sharing sources.

Fourth, after making these adjustments and deducting the amount committed to all eligible municipalities, the remaining money in the trust fund is distributed to those municipalities that qualify to receive growth money. This final distribution to those eligible municipalities that qualify to receive additional money beyond the guaranteed entitlement is based on the ratio of additional money of each qualified municipality in proportion to the total additional money of all qualified municipalities.

Summary

In summary, the total annual distribution to a municipality, depending on the formula, will yield various combinations of guaranteed entitlement and/or growth money (associated with new construction):

- 1) Guaranteed entitlement money PLUS growth money,
- 2) Guaranteed entitlement money only, or
- 3) Growth money only.

However, the final distribution is dependent on actual collections.

Authorized Uses

According to the Department of Revenue, municipalities may assume that 35.2 percent of their total estimated Municipal Revenue Sharing distribution fiscal year 1996-97 is derived from the Municipal Gas Tax. Thus, at least 24.86 percent of each municipality's revenue sharing distribution must be expended on transportation-related purposes.

As a second restriction, municipalities are limited in the amount of revenue sharing dollars that may be bonded. Municipalities are allowed to bond only the guaranteed entitlement portion of the distribution. This hold harmless provision of the municipal revenue sharing program guarantees a minimum allotment and thereby ensures coverage of all bonding obligations to eligible governments that qualified for revenue sharing dollars before 1972. This provision does not apply to municipalities qualifying for the revenue sharing program after 1972.

Municipalities incorporated after 1973 that wish to qualify for revenue sharing funds must demonstrate local tax effort by using the taxable value of the municipality for the year of incorporation time's three mills. Obviously, a municipality incorporating after 1973 must demonstrate significantly higher actual ad valorem tax effort than municipalities that have been in the program since its inception.

Municipal Revenue Sharing Findings

Based on projections from the State of Florida Department of Revenue--Office of Tax Research, municipal revenue sharing money for the City of Merritt Island in fiscal year 2024 are estimated at **\$719,239**.

Local Government Half-Cent Sales Tax

Chapter 82-154, Laws of Florida, created the Local Government Half-Cent Sales Tax Program. This program generates a significant amount of revenues for local governments by distributing sales tax revenue and money from the state General Revenue Fund to counties and municipalities that meet strict eligibility requirements. The primary purpose of the tax is to provide relief from ad valorem and public sewer taxes in addition to providing revenue for local programs.

Eligibility Requirements

A county or municipality must satisfy the following requirements (spelled out in s.218.63, F.S.) to be eligible to receive an ordinary distribution:

1) Qualify to receive revenue sharing funds by satisfying all requirements contained in s.218.23 F.S. However, a municipality incorporated subsequent to the effective date of Chapter 82.154, Laws of Florida (April 19, 1982), which does not meet the applicable criteria for incorporation pursuant to s. 165.061, F.S. shall not participate in Local Government Half Cent Sales Tax.

2) Meet the millage limitation requirements outlined in s.200.065, F.S.

Local Government Half-Cent Sales Tax Findings

Based on projections from the State of Florida Department of Revenue Office of Tax Research, the half-cent local government sales tax distribution to the area of Merritt Island in fiscal year 2024 is estimated at **\$2,906,792**

The state estimates half-cent sales tax at 100 percent of distribution. Variation between projections and actual results are due to the combined effect of reconciling state and local Fiscal years, as well as the seasonal nature of sales tax collections. A more reasonable and prudent technique would be to project half-cent sales tax fund at 95 percent of the state estimate.

Licenses and Permits

Business tax Receipt

According to Section 205.042, Florida Statutes, "The governing body of an incorporated municipality may levy, by appropriate ordinance or resolution, an occupational license tax for the privilege of engaging or managing any business, profession or occupation within its jurisdiction."

The occupational license tax is designed specifically to raise revenue and should not be confused with the regulatory fees referred to in Section 166.221, Florida Statutes.

Occupational license tax revenues during the pre-1970s contributed a greater portion of the municipal revenue stream than at the present time. In 1972, the Legislature froze all license rates as they were in place on Oct. 1, 1971. In 1980, the Legislature allowed local governments to raise the rates of licenses with flat rates according to a three-tier schedule; 100 percent increase for rates \$100 or less, 50 percent increase for rates between \$101 and \$300, and a 25 percent increase for rates of more than \$300. In 1982, the Legislature allowed graduated or per unit rates to increase up to 25 percent. In 2006 it was change to the Business Tax Receipt by the legislature.

Insurance Agent Licenses

Florida Statutes (F.S. 624.507) authorize municipalities to require license fees not to exceed 50 percent of the State License tax specified by statutes, for agents operating within municipal boundaries.

Alcohol Beverage License

Thirty-eight percent of all alcoholic beverage license revenues collected by the state from within a municipality are returned to the municipality.

Permits

Municipalities charge permit fees for a variety of land use services, including building and related construction, planning, stormwater and zoning services. These are as delineated below:

A) Building and Related Construction Permits Includes revenue for issuance of all building, plumbing, electrical, mechanical, heating/air conditioning and similar construction permits.

B) Stormwater Fees charged for review and inspection of projects requiring stormwater Management permits.

C) Zoning and Related Fees includes all fees collected for rezoning requests,

variances, special exceptions, etc.

D) Planning Fees include comprehensive plan compliance/concurrency reviews, planned unit development, etc.

Licenses, Business Tax and Permits Findings

This report does not include revenues associated with permits because these fees typically are revenue neutral. Revenues raised from this source would pay for inspections, processing and plan review functions that will initially be provided by Brevard County staff through interlocal agreement. The report does include Business Tax Receipt revenues for **FY 2024 of \$66,912**.

Fines and Forfeitures

This revenue category includes receipts from fines and penalties imposed from the commission of statutory offenses, violation of lawful administrative rules and regulations and for neglect of official duty. Fines include court fines, library fines, pollution control violations and violations of local ordinances. Forfeitures include revenues resulting from confiscation of deposits or bonds held as performance guarantees and proceeds from sale of contraband property seized by law enforcement agencies.

Fines and Forfeitures Findings

This report does not include revenues associated with such fines. The question of a lack of a municipal police force raises doubt as to the City's ability to be eligible for such funds.

Motor Fuel Tax Refund

Florida Statutes provide for the first five cents of state gas tax paid by a municipality to be returned to the municipality for use in its vehicles.

Motor Fuel Tax Refund Findings

This revenue source will not be significant to the City of City of Merritt Island due to the proposed limitation on city vehicular equipment.

Investment Income

Revenues derived from investment of cash receipts and idle funds are an important, yet often overlooked source of revenue. Many local governments are recognizing the importance of establishing effective cash management/treasury programs and are restructuring their government operations to accelerate revenues, promote aggressive revenue collections and maximize cash flow.

Investment Income Findings

This study incorporates investment income of **\$25,000 for FY 2024**.

Contributions and Donations

This revenue category is comprised of various sources primarily gifts, pledges, bequests or grants from non-governmental entities. Due to the nature of this category, revenue derived from these sources can fluctuate greatly from one year to the next.

Contributions and Donations Findings

Contributions and donations generally are considered revenue neutral because those making the donation typically earmark them for specific programs or services.

Miscellaneous Revenue

The miscellaneous revenue category includes a variety of less important sources, such as permit fees, non-occupational license fees, rents, royalties, special assessments, the sale of assets, insurance compensation, etc.

Miscellaneous Revenue Findings

There is no attempt by this report to project such revenue. This is a reasonable approach considering the difficulty in developing stable projections.

Local Option Gas Tax

Municipalities in Florida Counties share in the county's 6-cent local option tax on motor fuel and special fuel. The county uses its portion for maintenance of existing roads. The cities use their share for general transportation purposes. There is a statutory formula that establishes a minimum portion to be shared with each city.

An opinion from the Florida Attorney General States in part the following:

Section 336.025, F.S. (1992 Supp.), allows counties to impose a local option gas tax upon every gallon of motor fuel and special fuel sold in a county and taxed under the provisions of Part I or Part II, Ch. 206, F.S. (1992 Supp.).[2] Only those municipalities and counties eligible for participation in the distribution of moneys under Parts II and VI of Ch. 218, F.S., are eligible to receive moneys under this section.[3]

A county may levy the tax by ordinance adopted by a majority vote of the governing body or approval by referendum.[4] Under this procedure,

"[t]he county may, prior to June 1, establish by interlocal agreement with one or more of the municipalities located therein, representing a majority of the population of the incorporated area within the county, a distribution formula for dividing the *entire* proceeds of the local option gas tax among the county government and all eligible municipalities within the county." [5] (e.s.)

In the absence of an interlocal agreement, the county may, prior to June 10, adopt a resolution of intent to levy the tax.[6] If no interlocal agreement or resolution is adopted, municipalities representing more than 50 percent of the county population may, prior to June 20, adopt uniform resolutions approving the local option tax, establishing the duration of the levy and the rate authorized, and setting the date for a countywide referendum on whether to impose the tax.[7] In the event the tax is levied by county resolution or by uniform resolutions of the municipalities, the proceeds of the tax must be distributed "among the county government and eligible municipalities based on the transportation expenditures of each for the immediately preceding 5 fiscal years." [8] Any newly incorporated municipality which is eligible for participation in the distribution of moneys under Parts II and VI, Ch. 218, F.S., located in a county levying the local option gas tax is also entitled to receive a share of the tax revenues.[9]

Local Option Gas Tax Findings

Based on the existing law and the interlocal agreements Florida Counties have established with the cities within the counties the ability to share this tax, it is not clear exactly what formula was used. It is clear the distribution of this revenue is developed through political negotiations and trying to estimate what the area of Merritt Island portion would be, at best, more art than science.

With this understanding this study decided to project the Local Option Gas Tax revenues in our revenue projection for the area of Merritt Island. Local Option Gas Tax of **\$974,110 to be used for major road maintenance.**

Of course, this decision will ultimately be determined by the newly elected city council and the Brevard County Commissioners.

Infrastructure Sales Surtax

Brevard County presently does not charge an Infrastructure Surtax and shares the revenue collected with the cities within the County. This is done through an existing formula. The use of these funds is limited by law and would not be available to support general fund expenditures.

Infrastructure Sales Surtax Findings

Since the County is not presently charging this tax there is no projected estimate in the report.

Merritt Island Library Taxing District

Merritt Island Library Taxing District was established by House Bill No. 1079, Chapter 2005-321, Laws of Florida, the Board was created in 1965 as a 15-member Board appointed by governor; the separate Board and taxing district (imposition of a tax not to exceed on-half of 1 mill (FY23 millage rate is .1074 (\$6.81 for \$1,00 of taxable value)

Merritt Island Library Taxing District Finding

The new City could attempt to merge this function into the new local government, this would have to be addressed in the new city charter. Either way the .1074 millage would go towards the required 3 mills necessary to participate in the State Shared Revenues.

Task 4
**DEVELOPMENT OF EXPENDITURE ANALYSIS
FOR MERRITT ISLAND**

Municipal Expenditures

Municipal government expenditures cover a wide variety of areas. Specific areas, however, are largely dependent upon the desires and needs of the citizenry and are formulated by the municipality's elected officials. General expenditure categories for the area of Merritt Island will be presented within specific expenditure groups and subgroups as reported in the Florida Local Government Financial Report, which is prepared annually by the Florida Comptrollers Bureau of Local Government Finance.

General Government

The general government category includes the legislative, judicial and administrative functions of the municipal government for the benefit of the public and governmental entity as a whole. This includes total expenses for elected officials, city manager, city clerk, finance, administrative, legal counsel, comprehensive planning, elections and insurance.

Public Safety

This category also includes police and sheriff's department services, corrections, fire prevention, municipal fire services and/or contractual payments for firefighting services from other entities. Public safety is the largest single expense area for Florida's municipalities and has shown sizable increases during the past several years. With Florida's growing population and increased demands for improved law enforcement and fire protection, this area is expected to continue to grow.

Utilities

Municipal utilities in this context refer to basic user fee services associated with enterprise fund operations of water, sewer, electric and natural gas.

Solid Waste

Three components fall under the function of solid waste: collection, disposal and recycling.

The collection aspect can take several forms. Many years ago, back door collection was the primary method. As personnel costs steadily grew, municipalities were forced to find cheaper and more cost-efficient methods. Today, the majority of municipalities utilize curbside collection, or they contract

with a private hauler to perform all or part of the operation. In larger multi-family complexes, dumpster service is now the industry standard.

Solid waste disposal has become increasingly complex and expensive in recent years, following the passage of state and federal environmental laws. Due to these actions, virtually all municipalities have moved away from landfill operations, and this has become a county function or service provided by independent districts that operate from larger tax or population bases.

While recycling of discarded goods has been performed for many years in Florida, the passage of the state's Solid Waste Management Act in 1988 has prompted the emergence of highly organized recycling programs. This act requires, among many other things that communities initiate and achieve specified levels of recycling to reduce the volume of solid waste taken to landfills.

Roads and Streets

The construction, maintenance and improvements of the road and street network are the most expensive area of the various transportation related expenditures (other transportation related expenses are addressed in Miscellaneous Expenses). Specific expense areas associated with the road and street network include roadway and right of way operations and maintenance, roadway and right of way drainage, street lighting, traffic signage and signalization, pavement markings, traffic engineering and bridge maintenance.

Municipal road responsibilities are assigned by the state of Florida through a system termed "functional classification." The functional classification system specifies that municipalities are responsible for the city street network. Basically, this includes all local residential streets, and short distance connecting roads. It does not include roads, which are part of the state highway system, even though they may fall within municipal boundaries.

Stormwater and Environment

This category includes only the master drainage system, flood control and environmental related expenses incurred by the municipal government. It does not include the costs associated with stormwater runoff attributable to roads, streets or roadside drainage.

In the past, stormwater-related functions were traditionally handled as a general government service funded through the municipality's general fund. Recently some local governments have established a stormwater function as a full-fledged utility operation. The utility is placed in a separate enterprise fund with revenues generated from monthly billings on the municipality's traditional water and sewer bills or as a separate stormwater bill.

Economic Improvement

The economic improvement category is a collection of related services associated with developing and improving the economic condition of the municipality and its residents. It includes programs such as: employment training, job search, downtown and industrial development/improvement, housing and urban development, etc. These expenses are related only to those programs directly served by the municipality and exclude those performed by independent districts and authorities, which often are located within and named after the municipality.

Human Services

Human service expenditures pertain to those costs associated with the provision for the care, treatment and control of human illness, injury, or handicap, and for the welfare of the municipality and its residents. This category includes all municipal costs to operate hospitals, health and rehabilitation, diagnosis and treatment of mental illness, and economic assistance to the indigent.

The function of human service assistance is primarily funded and administered by county agencies (as a function of state government) and by independent authorities and districts.

Culture and Recreation

Culture and recreation is a general category combining the expenditures of libraries, parks, recreation, cultural services, special events and special recreation facilities.

Debt Service

Debt Service is shown as a separate category due to the reporting requirements of the Florida Comptroller's Local Government Financial Report, which shows it separately rather than by functional category. This category reflects those funds spent toward principal, interest, and various handling fees associated with municipal bond issues.

The four basic forms of long-term debt are: general obligation (G.O.) bonds, revenue bonds, general revenue bonds and special tax bonds.

G.O. bonds also are known as "full faith and credit bonds" because their repayment is unconditional and based on general credit and taxing powers of the borrowing government. Since the power to levy and collect property taxes provides the basic security to these bonds, they require voter approval. G.O. bonds generally carry the lowest interest rates, and typically are used to finance general-purpose public buildings, roads, and criminal justice complexes.

Another form is a revenue bond. These are obligations in which repayment of debt service is entirely from user fees of an enterprise operation. The most common municipal issues are for water, wastewater, electric, parking garages, civic centers, stadiums and airports.

A third type of long-term debt is a general revenue bond. This is a cross between a G.O. and a revenue bond. Like a revenue bond, it does not require a referendum; yet like a G.O. bond, it has the full faith and credit of a specific or a percentage of all general funds, non-ad valorem revenues.

A final type is the special tax bond. It, too, is similar to a G.O. bond in that it often is used for general government purposes and the repayment revenue is from a source unrelated to the project. Special tax bonds are payable from a specifically pledged tax, usually a local option sales tax or tourist tax.

Miscellaneous Expense

This category consists primarily of smaller budget functions or those, which are not widely utilized by a significant number of municipalities. These include airports, port facilities, commercial docks, mass transit systems, traffic flow enhancement services, parking facilities and miscellaneous general government services not itemized within that category.

Findings for Expenditure Analysis

This report includes administrative and finance expenditures, an additional contract cost for growth management, code enforcement, professional planning services, and general government support from Brevard County. These expenditures are for a combination of municipal employees and contractual services as shown below.

Municipal Employees

Position	Proposed Salary
City Manager	\$165,000
Assistant City Manager Contract Specialist	135,000
Finance Director/Comptroller	115,000
City Clerk/Treasurer	105,000
Administrative Assistant	65,000
Total Salaries	\$585,000
Benefits @ 35%	<u>204,750</u>
Total Salary and Benefits	\$789,750

Contractual Services

Contract Services	Proposed Cost
Legal Services	\$200,000
Growth Management	\$150,000
Professional Services	<u>\$150,000</u>
Total	\$500,000

The original projected salaries for administrative staff were within the average salary for Florida cities with population between 15,000 to 25,000 residents. The projected contract costs for growth management, planning and code compliance could employ one full-time planner and operating costs, rather than contracting for services.

The proposed administrative and finance expenditures can be delineated as follows:

Personnel w/benefits	\$789,750
Mayor and Council Salary	30,000
Contract Services	500,000
Local Government Operating @ 29%	959,750
Insurance	75,000
Local elections	65,000
Audit	35,000
Capital (one time)	10,000
Contingency @ 0.083	203,724
Loan Payment	<u>107,820</u>
Total	\$2,776,044

The above costs include all relevant expenditure categories, coupled with one month of expenses contingency factor, appear reasonable to assume the administrative and financial activities for the area of Merritt Island.

The final major expenditure category--parks and recreation--will continue to be provided through an interlocal agreement with Brevard County or a private sector vendor and be paid for with area of Merritt Island general revenues.

The following is the first year (FY/2024) projections for revenues and expenditures necessary for the area of Merritt Island for a full year of operations.

Revenues

State Shared Revenue	\$	3,626,031
Communication Service Tax	\$	1,214,053
Franchise Fees	\$	3,462,460
Business Tax Receipts	\$	66,912
Interest Earnings	\$	25,000
Bridge Loan	\$	1,000,000
Ad Valorem Property Taxes		
Total Revenues for One Year	\$	9,394,457

City Staff Salary and Benefits	\$	789,750
Mayor and Council Salary	\$	30,000
Contract Services	\$	500,000
Local Government Operating Cost @ 29%	\$	959,750
Interlocal with County		
Local Elections	\$	65,000
Insurance	\$	75,000
Audit	\$	35,000
Capital Equipment (One Time)	\$	10,000
Contingency	\$	203,724
Loan Payment	\$	107,820
Total Expenses for One Year	\$	2,776,044

Reserves	\$	6,618,413
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This projection shows the cost of operating the new local government is covered by the redirection of existing State Shared Revenues, Franchise Fees,

Communication Services Tax, and Business Tax Receipts during the first 12 months and creates a Surplus of \$6,618,413. To increase the reserves during the initial years of the new local government and cover any initial short falls in startup cash the new municipality would have to take out a \$1 million Bridge Loan @ 3% and pay it back during the first 5 years.

Task 5
A PRO FORMA PRESENTATION OF
REVENUE/EXPENSE FORECASTED
FOR A FIVE YEAR PERIOD

The purpose of a multi-year forecast is to estimate City revenues and expenditures over a designated period--usually five to ten years. Most local governments preparing a fiscal forecast use it as a tool for preparing and executing an annual budget. This type of annual or short term forecasting is necessary for a municipality to maintain a balanced budget.

Long-term fiscal forecasts are conducted for two main reasons.

1) Multi-year forecasts often show that fiscal adjustments might be needed to balance future budgets. When expenditures are projected to exceed revenues, measures must be taken to correct the imbalance. This process is called gap analysis.

2) Multi-year forecasts can help decision makers quantify and evaluate potential impacts of today's policy decision. This process is referred to as impact analysis. The multi-year fiscal forecast for the City of Merritt Island is designed to assist the community in accomplishing the following objectives:

- To indicate to the parties in the incorporation process the presence of systematic financial planning.
- To serve as an aid to all parties in the incorporation process in the anticipation of future fiscal issues, enabling corrective action to be taken where necessary
- To assist all parties in operations planning
- To strengthen estimates of revenues and expenditures in the annual budget process

Benefits and Limitations

Benefits of Forecasting

The major benefits of multi-year forecasting include:

- Identification of possible consequences of various economic policy scenarios
- Identification of future fiscal problems
- Development of sound financial management policies and practices
- Provision of information to all parties in the incorporation process (government agencies, the press, business, community, neighborhood organizations and the general public) that explains the relationship between program expansion and anticipated revenues

Limitations of Forecasting

Multi-year forecasts have the following inherent limitations.

1) Forecasts are not entirely accurate in predicting what actual revenues and expenditures will be in a particular year. Since a forecast is based on current trends, estimates may be imprecise if economic and/or financial assumptions change. Therefore, forecasts must be revised when key variable such as inflation, interest rates or business climates change unexpectedly.

2) The unlikely event that an actual budget deficit will occur is a second factor that undermines the accuracy of forecasts. State law mandates local governments to balance their budgets. But forecasting methods do not anticipate municipal decisions that close budget gaps and prevent deficits.

This study has developed a Five-year financial projection for an incorporated City of Merritt Island based on fiscal years 2018 through 2022. BJM Consulting, Inc. developed the assumptions used in this financial forecast.

Population

The current permanent population is estimated at 15,362 and total population (with seasonal residents) is estimated to approach 20,000. The growth in population is projected to increase at an annual rate of 2% to 16,628 in FY 2022, with a service population of 22,000. This projection is consistent with recent growth patterns in the area.

Property Tax Base

The property tax base is projected to increase an average of 3% percent per year from FY 2019 through FY 2023. The taxable assessed value in the City of Merritt Island is projected at \$967,301,590 for fiscal year 2020 and is expected to increase to \$1,056,996,565 in fiscal year 2023. The initial FY 2020 projection uses the FY 2018 property taxable value with no initial increase for growth or new construction.

Expenditures

Expenditures for growth management, planning/code compliance are all proposed to be provided by the following agencies:

Service	Provider	Average Annual Increase
Other Contract Services	Others	3%
County Contract Services	Brevard County Government	3%

The annual increases for these services may fluctuate from year to year due to

timing of one-time capital purchases.

Internal administrative and finance services increase approximately 3 percent each year. In addition, an annual 8.3 percent contingency factor (equivalent to one month's expenses) has been included.

Revenues

The forecast assumes the following City of Merritt Island millage rate and property tax revenues which will replace all existing County MSTU's in the area:

Fiscal Year	Millage Rate	Property Tax Revenues @ 95%
2024	0	\$0
2025	2.4591	\$10,915,106
2026	2.4591	\$11,242,559
2027	2.4591	\$11,579,836
2028	2.04591	\$11,927,231

This is based on budgeting 95 percent of projected ad valorem tax revenue, which is generally accepted by Florida municipal finance officers as a prudent practice.

MSBU will be replaced with new City Assessments for Fire, Solid Waste and Stormwater:

Fiscal Year Projected Revenue (3% annual increase)

2024	\$0
2025	\$12,110,574
2026	\$12,473,891
2027	\$12,848,108
2028	\$13,233,551

State shared revenues are a combination of Municipal Revenue Sharing and Local Government Half-Cent Sales Tax and are estimated as:

Fiscal Year Projected Revenue (3% annual increase)

2024	\$1,813,016
2025	\$3,734,812
2026	\$3,846,856
2027	\$3,962,262
2028	\$4,081,130

The FY 2019 projection uses the FY 2018 SSR value with no initial increase

value for growth in population.

Franchise Fees are estimated as:

Fiscal Year	Projected Revenue (3% annual increase)
2024	\$1,731,230
2025	\$3,566,334
2026	\$3,673,324
2027	\$3,783,524
2028	\$3,897,030

The FY 2024 projection for Franchise Fees uses the Brevard County FY 2023 number with no initial increase value for growth in population.

Communication Services Tax are estimated as:

Fiscal Year	Projected Revenue (3% annual increase)
2024	\$607,026
2025	\$1,250,475
2026	\$1,287,989
2027	\$1,326,628
2028	\$1,366,427

The FY 2024 projection for Communication Services Tax uses the Brevard County FY 2023 number with no initial increase value for growth in population.

Business Taxes Receipts

2024	\$36,802
2025	\$68,920
2026	\$70,987
2027	\$73,117
2028	\$75,311

The FY 2024 projection for Business Tax Receipts uses the Brevard County FY 2023 number with no initial increase value for growth in population.

Interest earnings are anticipated to be \$12,500 in fiscal year 2024 and \$25,000 in FY 2025 through FY 2028

The forecast does not include any revenues from court fines or building permits, as they will continue to go to Brevard County or private sector vendor for services rendered.

Expenses

City of Merritt Island Local Government Expense

Fiscal Year	Projected Cost (3% annual increase)
2024	\$1,454,432
2025	\$2,849,025
2026	\$2,934,496
2027	\$3,022,530
2028	\$3,113,206

The cost of all the County Interlocal Agreement for MSTU and MSBU services are projected to increase annually by 3%.

IMPACTS OF PROPOSED INCORPORATION OF MERRITT ISLAND

On Residents and Businesses of New Incorporated Area

The initial impacts on residents of Merritt Island would be very limited. There would be no new ad valorem taxes. Some businesses would be charged an additional annual Business Tax Receipt (BTR) or city license annually. These would be businesses who operate in both Merritt Island and Brevard County.

On Other Brevard County Local Governments

Brevard County would lose \$8,318,047 of ad valorem taxes in FY 2025 and recover the entire amount through the interlocal agreement with the new city. In addition, Brevard County would lose \$3,626,031 in SSR Fees and \$4,676,792 in Communication Services Tax and Franchise Fees for an annual loss of \$8,302,823 the general fund. The County would have to find efficiencies in operations, reduce services or raise General Fund Revenues to deal with this loss

The City of Cape Canaveral \$17,553 in SSR, Cocoa would lose \$34,922 in SSR, Cocoa Beach would lose \$20,096 IN SSR, Grant-Valkaria will lose \$7,922 in SSR, Indianalantic would lose \$5,300 in SSR, Indian Harbour Beach would lose \$15,883 in SSR, Malabar would lose \$5,252 in SSR, Melbourne would lose \$151,852 in SSR, Melbourne Beach would lose \$5,696 in SSR, Melbourne Village would lose \$1,219 in SSR, Palm Bay would Lose \$216,717 in SSR, Palm Shores would lose \$2,099 in SSR, Rockledge would lose \$49,059 in SSR, Satellite Beach would lose \$20,015, Titusville would lose \$86,976 in SSR, West Melbourne would lose \$49,241 in SSR in their General Fund Revenues and would have to find efficiencies in operations, reduce services or raise General Fund Revenues to deal with this loss.

City of Merritt Island 5 year Fiscal Forecast if Local Bill is passed with SSR reporting waiver and Interlocal with County for collection of Communication Services Tax (Best Case Scenario)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues					
State Shared Revenue	\$ 1,813,016	\$ 3,734,812	\$ 3,846,856	\$ 3,962,262	\$ 4,081,130
Franchise Fees	\$ 1,731,230	\$ 3,566,334	\$ 3,673,324	\$ 3,783,524	\$ 3,897,030
Communication Services Tax	\$ 607,026	\$ 1,250,475	\$ 1,287,989	\$ 1,326,628	\$ 1,366,427
Interest Earnings	\$ 12,500	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Business Tax Receipts	\$ 36,802	\$ 68,920	\$ 70,987	\$ 73,117	\$ 75,311
Bridge Loan	\$ 1,000,000				
City Assessments		\$ 12,110,574	\$ 12,473,891	\$ 12,848,108	\$ 13,233,551
Ad Valorem Property Taxes @ 2.4591		\$ 10,915,106	\$ 11,242,559	\$ 11,579,836	\$ 11,927,231
Total Revenues	\$ 5,200,574	\$ 31,671,221	\$ 32,620,607	\$ 33,598,475	\$ 34,605,680
Expenses					
Merritt Island Local Government	\$ 1,454,432	\$ 2,849,025	\$ 2,934,496	\$ 3,022,530	\$ 3,113,206
MSTU Interlocal with County		\$ 10,915,106	\$ 11,242,559	\$ 11,579,836	\$ 11,927,231
MSBU Interlocal with County		\$ 12,110,574	\$ 12,473,891	\$ 12,848,108	\$ 13,233,551
Loan Payment	\$ 107,820	\$ 215,640	\$ 215,640	\$ 215,640	\$ 323,460
Total Expenses	\$ 1,562,252	\$ 26,090,345	\$ 26,866,586	\$ 27,666,114	\$ 28,597,449
Reserve/(Deficit)	\$ 3,638,322	\$ 5,580,876	\$ 5,754,021	\$ 5,932,361	\$ 6,008,231
Cumulative Reserves		\$ 9,219,198	\$ 14,973,219	\$ 20,905,580	\$ 26,913,811

City of Merritt Island 5 year Fiscal Forecast if Local Bill is passed without either SSR reporting waiver and Interlocal with County for the collection of Communication Service Tax (Worst Case Scenario)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues					
State Shared Revenue		\$ 2,801,109	\$ 3,846,856	\$ 3,962,262	\$ 4,081,130
Franchise Fees	\$ 1,731,230	\$ 3,566,334	\$ 3,673,324	\$ 3,783,524	\$ 3,897,030
Communication Services Tax		\$ 937,856	\$ 1,287,989	\$ 1,326,629	\$ 1,366,428
Interest Earnings	\$ 12,500	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Business Tax Receipts	\$ 36,802	\$ 68,920	\$ 70,987	\$ 73,117	\$ 75,311
Bridge Loan	\$ 1,000,000				
City Assessments		\$ 12,110,574	\$ 12,473,891	\$ 12,848,108	\$ 13,233,551
Ad Valorem Property Taxes @ 2.4591		\$ 10,915,106	\$ 11,242,559	\$ 11,579,836	\$ 11,927,231
Total Revenues	\$ 2,780,532	\$ 30,424,899	\$ 32,620,607	\$ 33,598,475	\$ 34,605,680
Expenses					
Merritt Island Local Government	\$ 1,454,432	\$ 2,849,025	\$ 2,934,496	\$ 3,022,530	\$ 3,113,206
MSTU Interlocal with County		\$ 10,915,106	\$ 11,242,559	\$ 11,579,836	\$ 11,927,231
MSBU Interlocal with County		\$ 12,110,574	\$ 12,473,891	\$ 12,848,108	\$ 13,233,551
Loan Payment	\$ 107,820	\$ 215,640	\$ 215,640	\$ 215,640	\$ 323,460
Total Expenses	\$ 1,562,252	\$ 26,090,345	\$ 26,866,586	\$ 27,666,114	\$ 28,597,449
Reserve/(Deficit)	\$ 1,218,280	\$ 4,334,554	\$ 5,754,021	\$ 5,932,361	\$ 6,008,231
Cumulative Reserves		\$ 5,552,834	\$ 11,306,855	\$ 17,239,216	\$ 23,247,447

City of Merritt Island 5 year Fiscal Forecast if Local Bill is passed with SSR reporting waiver and without an Interlocal with County for collection of the Communication Service Tax (Middle Case Scenario)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues					
State Shared Revenue	\$ 1,813,016	\$ 3,734,812	\$ 3,846,856	\$ 3,962,262	\$ 4,081,130
Franchise Fees	\$ 1,731,230	\$ 3,566,334	\$ 3,673,324	\$ 3,783,524	\$ 3,897,030
Communication Services Tax		\$ 937,856	\$ 1,287,989	\$ 1,326,629	\$ 1,366,428
Interest Earnings	\$ 12,500	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Business Tax Receipts	\$ 36,802	\$ 68,920	\$ 70,987	\$ 73,117	\$ 75,311
Bridge Loan	\$ 1,000,000				
City Assessments		\$ 12,110,574	\$ 12,473,891	\$ 12,848,108	\$ 13,233,551
Ad Valorem Property Taxes @ 2.4591		\$ 10,915,106	\$ 11,242,559	\$ 11,579,836	\$ 11,927,231
Total Revenues	\$ 4,593,548	\$ 31,358,602	\$ 32,620,607	\$ 33,598,476	\$ 34,605,680
Expenses					
Merritt Island Local Government	\$ 1,454,432	\$ 2,849,025	\$ 2,934,496	\$ 3,022,530	\$ 3,113,206
MSTU Interlocal with County		\$ 10,915,106	\$ 11,242,559	\$ 11,579,836	\$ 11,927,231
MSBU Interlocal with County		\$ 12,110,574	\$ 12,473,891	\$ 12,848,108	\$ 13,233,551
Loan Payment	\$ 107,820	\$ 215,640	\$ 215,640	\$ 215,640	\$ 323,460
Total Expenses	\$ 1,562,252	\$ 26,090,345	\$ 26,866,586	\$ 27,666,114	\$ 28,597,449
Reserve/(Deficit)	\$ 3,031,296	\$ 5,268,257	\$ 5,754,021	\$ 5,932,361	\$ 6,008,231
Cumulative Reserves		\$ 8,299,553	\$ 14,053,574	\$ 19,985,935	\$ 25,994,167