



Inspector General Insights

From the Clerk's June 2021 Newsletter

Background: In November 2018, Collier County voters approved a ballot referendum that allowed county government to collect an additional one-cent local sales tax for the purpose of funding numerous capital projects. Often referred to as a local option sales tax, residents and visitors have been paying an extra penny for each dollar spent since January 1, 2019, and will continue to do so until December 31, 2025, or as soon as \$490 million is collected. The additional one-cent sales tax increased the county's sales tax from six percent to seven percent, and it applies to the first \$5,000 of the sales amount of tangible personal property, excluding groceries and medicine.

At the time of voter approval, the one-cent local sales tax was expected to generate, on average, \$70 million a year, or \$490 million over seven years, with approximately thirty percent of the total revenue expected to come from tourists and visitors. Approximately ninety percent of the proceeds collected are earmarked for county government projects, with the remaining ten percent split amongst the county's three cities (Naples, Marco Island and Everglades City) for city-specific projects.

Observations: As non-essential businesses closed to the public and statewide tourism was brought to a complete standstill, the economic crisis caused by COVID-19 was reflected in sales tax collections. Revenue posted during March – May 2020 decreased significantly. However, in Fiscal Year 2021, stabilization and recovery were noted, and the extent of reductions has moderated significantly.

| Chart 1 Comparison of Infrastructure Sales Tax Collections FY 19 - FY21 YTD (County Share of Proceeds) | | | | | | | |
|--|------------------------|------------------------|------------------------|--------------|----------------|----------------|----------|
| Month | FY2019 | FY2020 | Variance | % Change | FY2021 | Variance | % Change |
| October | \$0.00 | \$6,315,439.77 | \$6,315,439.77 | n/a | \$6,280,902.91 | (\$34,536.86) | -0.5% |
| November | \$0.00 | \$7,118,621.28 | \$7,118,621.28 | n/a | \$6,929,725.37 | (\$188,895.91) | -2.7% |
| December | \$0.00 | \$8,374,636.97 | \$8,374,636.97 | n/a | \$8,377,479.53 | \$2,842.56 | 0.0% |
| Quarterly Adjustment | \$0.00 | \$1,741,989.52 | \$1,741,989.52 | n/a | \$2,228,672.89 | \$486,683.37 | 27.9% |
| January | \$7,199,645.61 | \$8,087,448.73 | \$887,803.12 | 12.3% | \$7,694,749.33 | (\$392,699.40) | -4.9% |
| February | \$7,536,020.66 | \$7,944,972.54 | \$408,951.88 | 5.4% | \$7,804,397.89 | (\$140,574.65) | -1.8% |
| March | \$8,174,567.92 | \$6,115,755.56 | (\$2,058,812.36) | -25.2% | \$9,544,863.19 | \$3,429,107.63 | 56.1% |
| Quarterly Adjustment | \$1,131,751.97 | \$1,974,375.10 | \$842,623.13 | 74.5% | \$2,418,582.76 | \$444,207.66 | 22.5% |
| April | \$6,847,826.90 | \$3,918,024.67 | (\$2,929,802.23) | -42.8% | | | |
| May | \$5,781,408.75 | \$5,015,377.74 | (\$766,031.01) | -13.2% | | | |
| June | \$5,218,511.85 | \$5,496,678.44 | \$278,166.59 | 5.3% | | | |
| Quarterly Adjustment | \$1,549,742.99 | \$1,839,176.43 | \$289,433.44 | 18.7% | | | |
| July | \$5,124,513.20 | \$5,027,663.07 | (\$96,850.13) | -1.9% | | | |
| August | \$5,149,369.44 | \$4,951,695.11 | (\$197,674.33) | -3.8% | | | |
| September | \$5,427,677.13 | \$5,835,665.75 | \$407,988.62 | 7.5% | | | |
| Quarterly Adjustment | \$1,645,991.01 | \$1,977,746.07 | \$331,755.06 | 20.2% | | | |
| Fiscal Year Actuals | \$60,787,027.43 | \$81,735,266.75 | \$20,948,239.32 | 34.5% | | | |

Note: FY19 collections commenced on January 1, 2019.

Within the county ordinance that imposes the voter approved one-cent surtax (Collier County Ordinance 2018-21) is an automatic sunset date of December 31, 2025 (7-year term). However, the ordinance also has a provision for an earlier sunset date of December 31 of any year in which the total aggregate distributions of surtax proceeds equals or exceeds \$490,000,000.

Chart 2 (below) shows a multi-year revenue projection that was developed to determine whether the early sunset provision might be invoked. Actual collection amounts are reflected in green. Projected figures highlighted in yellow simply carry forward prior year actual receipts with no projected growth factor. However, it must be noted that the figures highlighted in gray (April – May 2021) revert to actual collection amounts from 2019, as the FY 2020 figures for those two months were low due to the COVID-19 economic shutdown.

Chart 2

| Infrastructure Sales Tax Projection to \$490M Cap | | | | | | | |
|--|-----------------|------------------|------------------|------------------|------------------------|------------------|------------------|
| (County and Municipal Shares) | | | | | | | |
| Green = Actual; Yellow = Flat Projection (pre-COVID Levels) | | | | | | | |
| Result: Collections of \$480.5M after 5 Years so tax continues; \$579.0M projected, so tax sunsets 1 year early. | | | | | | | |
| Month | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 |
| October | \$0.00 | \$6,989,273.90 | \$6,949,048.32 | \$6,989,273.90 | \$6,989,273.90 | \$6,989,273.90 | \$6,989,273.90 |
| November | \$0.00 | \$7,878,151.91 | \$7,666,890.74 | \$7,878,151.91 | \$7,878,151.91 | \$7,878,151.91 | \$7,878,151.91 |
| December | \$0.00 | \$11,196,033.22 | \$11,734,406.12 | \$11,196,033.22 | \$11,196,033.22 | \$11,196,033.22 | \$11,196,033.22 |
| January | \$7,986,083.98 | \$8,950,349.68 | \$8,513,295.87 | \$8,950,349.68 | \$8,950,349.68 | \$8,950,349.68 | |
| February | \$8,359,202.27 | \$8,792,671.80 | \$8,634,608.55 | \$8,792,671.80 | \$8,792,671.80 | \$8,792,671.80 | |
| March | \$10,322,876.46 | \$8,953,317.76 | \$13,236,084.85 | \$13,236,084.85 | \$13,236,084.85 | \$13,236,084.85 | |
| April | \$7,595,835.08 | \$4,336,063.45 | \$7,595,835.08 | \$7,595,835.08 | \$7,595,835.08 | \$7,595,835.08 | |
| May | \$6,412,928.96 | \$5,550,500.05 | \$6,412,928.96 | \$6,412,928.96 | \$6,412,928.96 | \$6,412,928.96 | |
| June | \$7,507,571.14 | \$8,118,563.52 | \$8,118,563.52 | \$8,118,563.52 | \$8,118,563.52 | \$8,118,563.52 | |
| July | \$5,684,278.79 | \$5,564,096.17 | \$5,564,096.17 | \$5,564,096.17 | \$5,564,096.17 | \$5,564,096.17 | |
| August | \$5,698,788.16 | \$5,478,442.99 | \$5,478,442.99 | \$5,478,442.99 | \$5,478,442.99 | \$5,478,442.99 | |
| September | \$7,828,402.44 | \$8,644,581.36 | \$8,644,581.36 | \$8,644,581.36 | \$8,644,581.36 | \$8,644,581.36 | |
| Fiscal Year Actuals | \$67,395,967.28 | \$90,452,045.81 | \$98,548,782.53 | \$98,857,013.44 | \$98,857,013.44 | \$98,857,013.44 | \$26,063,459.03 |
| Cumulative Total | \$67,395,967.28 | \$157,848,013.09 | \$256,396,795.62 | \$355,253,809.06 | \$454,110,822.50 | \$552,967,835.94 | \$579,031,294.97 |
| | | | | | \$6,949,048.32 | \$6,989,273.90 | |
| | | | | | \$7,666,890.74 | \$7,878,151.91 | |
| | | | | | \$11,734,406.12 | \$11,196,033.22 | |
| | | | | 12/2024 | | | |
| | | | | Projected Total | \$480,461,167.68 | \$579,031,294.97 | |
| | | | | | Target = \$490,000,000 | | |

Conclusion: Key collection dates to watch in the future are December 2023 and December 2024. Once the \$490 million collection limit is reached, the early sunset provision of the tax would be triggered. Cumulative collections through December 2023 are approximately \$480.5 million, so the tax would continue for another full year. However, this will warrant close monitoring as the \$490 million limit and this projection assumes no revenue growth factor.

Unfortunately, due to the time lag in revenue collections, a policy decision to sunset the tax may have to be made prospectively, based on estimated collections. Otherwise, the tax would continue for another full year and sunset in December 2024 (one year early) with total collections of \$579.1 million, or a surplus of \$89.1 million from the planned \$490 million amount.

| Total # Transactions | Amounts Audited or Reviewed | Questioned Costs | Taxpayer Savings | Description |
|----------------------|-----------------------------|------------------|------------------|---|
| 8 | \$27,462,593 | \$0 | \$0 | Revenue Transactions - Collier County Share of Proceeds |