



## Inspector General Insights

**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. 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.

**Objective:** To update the residents on the status of the one-cent sales surtax, including the latest estimate of total funds raised.

**Observations:** The following table compares monthly infrastructure sales tax collections from October through March for fiscal years 2021 and 2022. These updated figures include both the County and municipal shares of the proceeds. FY22 collections have increased to \$73.6M, which is an increase approaching 30% from the \$56.7M collected during the same period in FY 2021.

Infrastructure Sales Tax Collections			
Month	FY21 Actuals	FY22 Actuals	% Change
October	\$6,949,048.32	\$8,818,105.32	26.90%
November	\$7,666,890.74	\$9,867,031.63	28.70%
December	\$11,734,406.12	\$15,767,270.18	34.37%
January	\$8,513,295.87	\$10,690,658.72	25.58%
February	\$8,634,608.55	\$11,560,677.14	33.89%
March	\$13,236,084.85	\$16,899,341.96	27.68%
<b>Year to Date Total</b>	<b>\$56,734,334.45</b>	<b>\$73,603,084.95</b>	<b>29.73%</b>

**Sunset Provisions:** Within Collier County Ordinance 2018-21 that imposed the voter approved one-cent surtax, there 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 distribution of surtax proceeds equal or exceed \$490,000,000.

The formal sunset provision language in County Ordinance No. 2018-21 is as follows:

### **SECTION SIX. Expiration Date; Survival of Certain Restricted Uses.**

- (a) *Sunset.* In all events, this Ordinance shall be in effect only through December 31, 2025. It shall sunset and expire thereafter, without further action by the Board and the electors, at which time it shall be repealed and of no further force and effect, and the

Surtax levied hereunder shall terminate. Alternatively, this Ordinance shall sunset on December 31<sup>st</sup> of any year during the term of this Ordinance in the event that the total aggregate distribution of Surtax proceeds equal or exceed the amount of \$490,000,000 at any time during that calendar year, in which event the Board shall take necessary action to repeal this Ordinance and notify the Florida Department of Revenue prior to the applicable deadline so that the Surtax will not continue for the following year.”

**Conclusion:** Based on current revenue levels, it is likely that the infrastructure surtax will reach the \$490M revenue cap within five (5) years of collections, thereby sunsetting two years early. Any surplus revenue above the \$490M cap would be available to offset any project cost increases above the programmed amounts or be available to fund long-term capital replacement of existing infrastructure projects or fund new projects.

Due to the current economic conditions (high inflation, rising interest rates, war in Ukraine, stock market volatility) there is potential for a recession that would adversely impact discretionary revenue and ultimately impacting infrastructure sales tax receipts. Monthly revenue receipts will be monitored closely to determine whether any softening in collections is occurring.

The Office of Inspector General continues to monitor the projects submitted for approval to the Sales Tax Committee, their status, and the cost impact of changes to the projected budget.

Months Reviewed	Amounts Reviewed	Questioned Costs	Taxpayer Savings	# Observations / Recommendations
6	N/A	N/A	N/A	N/A