

AGENDA

CITY COUNCIL WORKSHOP

June 27, 2022 - 5:00 PM

City of Mary Esther City Hall

195 Christobal Rd. N., Mary Esther, FL 32569

1. CALL TO ORDER at 5:00 PM

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL

Workshops are held for the City Council to receive background information on City business and to give Council members an opportunity to ask questions and express their individual views. No decisions are made, and no votes are taken.

4. PUBLIC COMMENTS/QUESTIONS (30 Minutes)

The City Council welcomes both written and verbal public comments and questions. Each speaker will receive three (3) minutes to speak on the topic of his/her choice, with an additional one (1) minute for follow-up. Please wait to be recognized and then provide your name and address for the record.

5. REVIEW OF FY 2022 TAX AND FEE COMPARISON REPORT

6. REVIEW OF DRAFT FY 2023 ACTION PLAN

7. PUBLIC COMMENT



**Tax and Fee Comparison Report
For Residential Property
Fiscal Year 2022**

Property Taxes

Assessed Values

The Florida Constitution requires the County Property Appraiser to assess property based on its market value. A simple definition of market value is the typical price a willing buyer would pay to a willing seller. To estimate market value, the property appraiser's office uses the 3 traditional approaches to value: Cost Approach, Market Approach and Income Approach.

1. Market Approach – The estimated value is based on comparable sales.
2. Cost Approach – The estimated value is based on how much it would cost today to build a replacement structure on a parcel. If the property is not new, the appraiser must estimate how much value the building has lost over time (depreciation). The appraiser must also estimate the value of the land - without buildings or any improvements.
3. Income Approach – The estimated value requires a study of how much revenue the property would generate if it were rented. The appraiser must consider operating expenses, taxes, insurance, maintenance costs, and the return or profit most people could expect on the specific type of property.

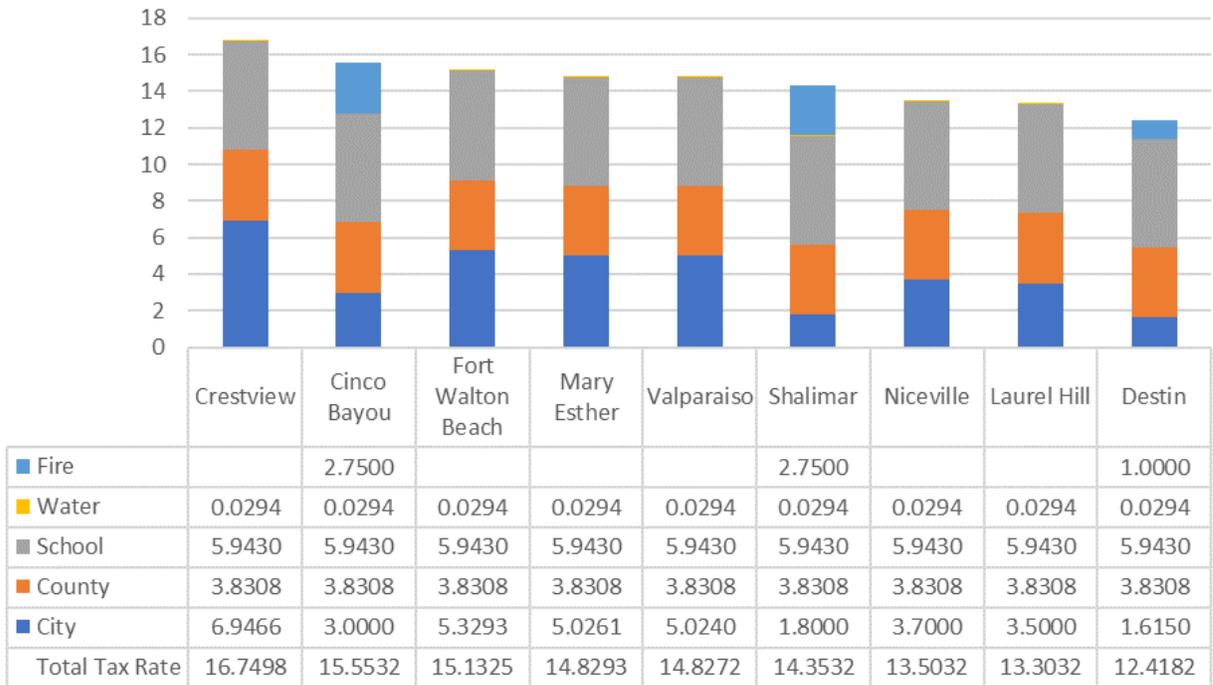
Tax Rates

A property tax bill includes charges for all taxing authorities associated with the property's location. For example, it would include the municipality, school district, county, and any applicable special service districts such as include a fire district, water authority, park improvements, or even a special assessment.

A property within the City of Mary Esther would incur a total tax of \$14.8293 per \$1,000 of that property's assessed value. The City's portion of that total tax and designated for general city services is only \$5.0261 per \$1,000 of the property's assessed value. The tax rate has remained unchanged since 2019.

Property Tax Rate Comparison by Municipality within Okaloosa County

The chart below shows the property tax rate for each municipality within Okaloosa County. Crestview has the highest combined tax rate at 16.7498, while Destin has the lowest at 12.4182. Mary Esther has a tax rate that is near the median, 0.3032 lower than Fort Walton Beach and 0.0021 higher than Valparaiso.



Notes:

- (1) City includes city property taxes.
- (2) County includes county property taxes.
- (3) School includes local school district property taxes.
- (4) Water includes NW Florida Water Management District property taxes.
- (5) Fire includes independent fire district property taxes.

The table below shows the annual property tax bill for a residential property with an assessed value of \$250,000. With this example, the City of Crestview would have the highest property tax bill at \$4,187.45 and Destin would have the lowest at \$3,104.55. Mary Esther is near the median at \$3,707.33, \$75.80 less than Fort Walton Beach and \$0.53 higher than Valparaiso.

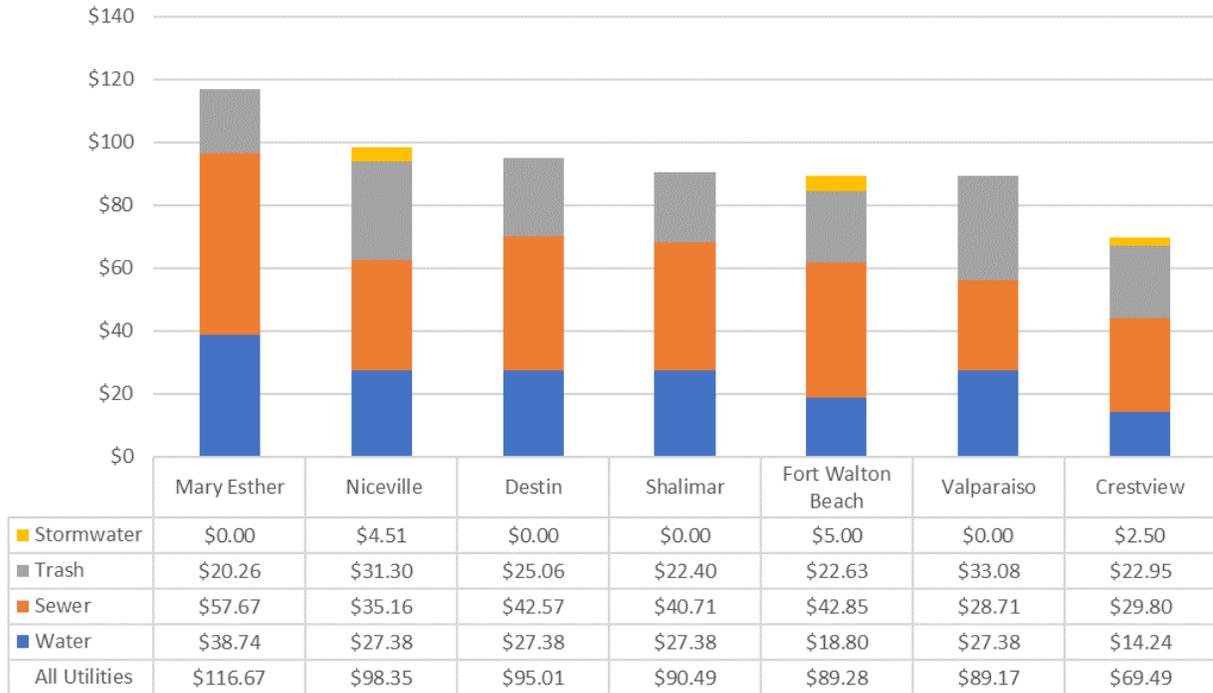
Municipality	City	County	School	Water	Fire	Total Tax
Crestview	\$ 1,736.65	\$ 957.70	\$ 1,485.75	\$ 7.35	\$ -	\$ 4,187.45
Cinco Bayou	\$ 750.00	\$ 957.70	\$ 1,485.75	\$ 7.35	\$ 687.50	\$ 3,888.30
Fort Walton Beach	\$ 1,332.33	\$ 957.70	\$ 1,485.75	\$ 7.35	\$ -	\$ 3,783.13
Mary Esther	\$ 1,256.53	\$ 957.70	\$ 1,485.75	\$ 7.35	\$ -	\$ 3,707.33
Valparaiso	\$ 1,256.00	\$ 957.70	\$ 1,485.75	\$ 7.35	\$ -	\$ 3,706.80
Shalimar	\$ 450.00	\$ 957.70	\$ 1,485.75	\$ 7.35	\$ 687.50	\$ 3,588.30
Niceville	\$ 925.00	\$ 957.70	\$ 1,485.75	\$ 7.35	\$ -	\$ 3,375.80
Laurel Hill	\$ 875.00	\$ 957.70	\$ 1,485.75	\$ 7.35	\$ -	\$ 3,325.80
Destin	\$ 403.75	\$ 957.70	\$ 1,485.75	\$ 7.35	\$ 250.00	\$ 3,104.55

Notes:

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- (4) Water includes NW Florida Water Management District property taxes.
- (5) Fire includes independent fire district property taxes.

Utility Rate Comparison

Water and sewer bills include a base charge (“Ready to Serve”) and consumption charge on the monthly use of water and sewer services. The chart below compares monthly utility charges for residential accounts among municipalities within Okaloosa County assuming 4,000 gallons per month consumption.

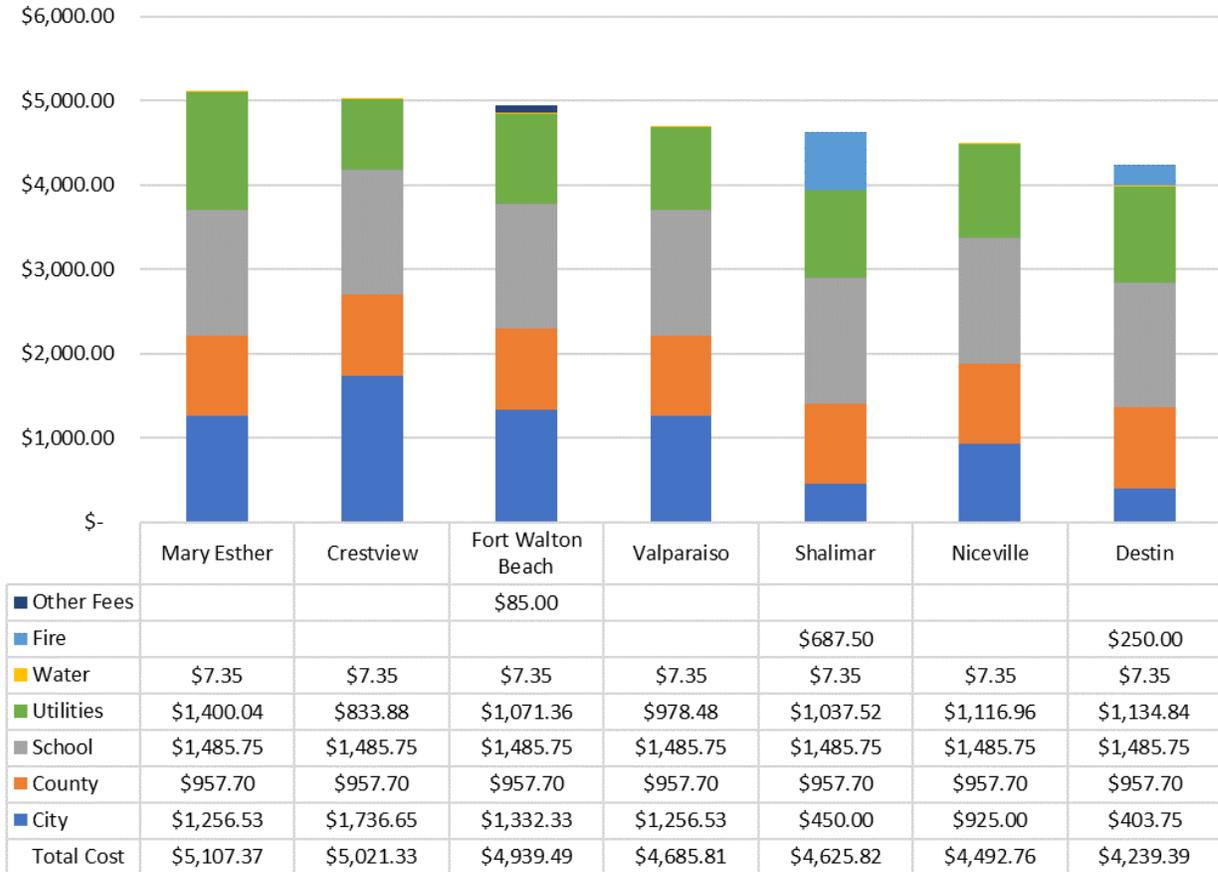


Notes:

- (1) Laurel Hill does not provide sewer services and was excluded.
- (2) Cinco Bayou did not provide information on all utilities and was excluded.
- (3) Mary Esther, Destin, Shalimar, and Valparaiso do not charge for stormwater services.

Total Annual Property Taxes and Utility Charges

The chart and table below use the property tax bill, utility bill, and other fees to develop an annual cost of public services for a model residential property with an assessed real estate valuation of \$250,000 and water usage of 5,000 gallons per month.



Notes:

- (1) Laurel Hill does not provide sewer services and was excluded.
- (2) Cinco Bayou did not provide information on all utilities and was excluded.
- (3) City includes city property taxes.
- (4) County includes county property taxes.
- (5) School includes local school district property taxes.
- (6) Water includes NW Florida Water Management District property taxes.
- (7) Fire includes fire district property taxes.
- (8) Utilities includes water, sewer, stormwater, and trash service fees.
- (9) Other Fees includes miscellaneous fees (i.e. fire assessment fee).

Recommendations

The following section is intended to provide recommendations for each revenue source. It is important to note that this analysis did not consider criteria such as scope or quality of service. Rather, it was intended to provide the staff, Mayor, Council, and residents with a better understanding of where the City stands among its peers in the metropolitan area.

- (1) Property taxes are about average for our area. Any proposed increase in the property tax rate should be tied to an increase in the scope or level of service. Staff will approach future budget years with the assumption of maintaining the current tax rate.
- (2) Utility fees are higher than in surrounding municipalities. One major factor that determines rates is the level of past and planned capital investment. Utilities generally fall into one of three categories:
 - a. Defer investment to maintain low utility rates. Customers benefit short term.
 - b. Invest in scheduled maintenance and replacement. Customers benefit long-term with stable rates, typically near the median.
 - c. Lack of investment leads to costly repairs and replacement. Rates are increased significantly to cover replacement and preventative maintenance.

In 2019, the City of Mary Esther's Council adopted a multi-year rate schedule to invest in our infrastructure. The last rate adjustment was completed in October 2021. Continued investment will lower the lifecycle cost of infrastructure and eventually lead to rates closer to the median. Staff does not recommend an adjustment for FY 2023.



Tax and Fee Comparison Report
For Commercial Property
Fiscal Year 2022

Property Taxes

Assessed Values

The Florida Constitution requires the County Property Appraiser to assess property based on its market value. A simple definition of market value is the typical price a willing buyer would pay to a willing seller. To estimate market value, the property appraiser's office uses the 3 traditional approaches to value: Cost Approach, Market Approach and Income Approach.

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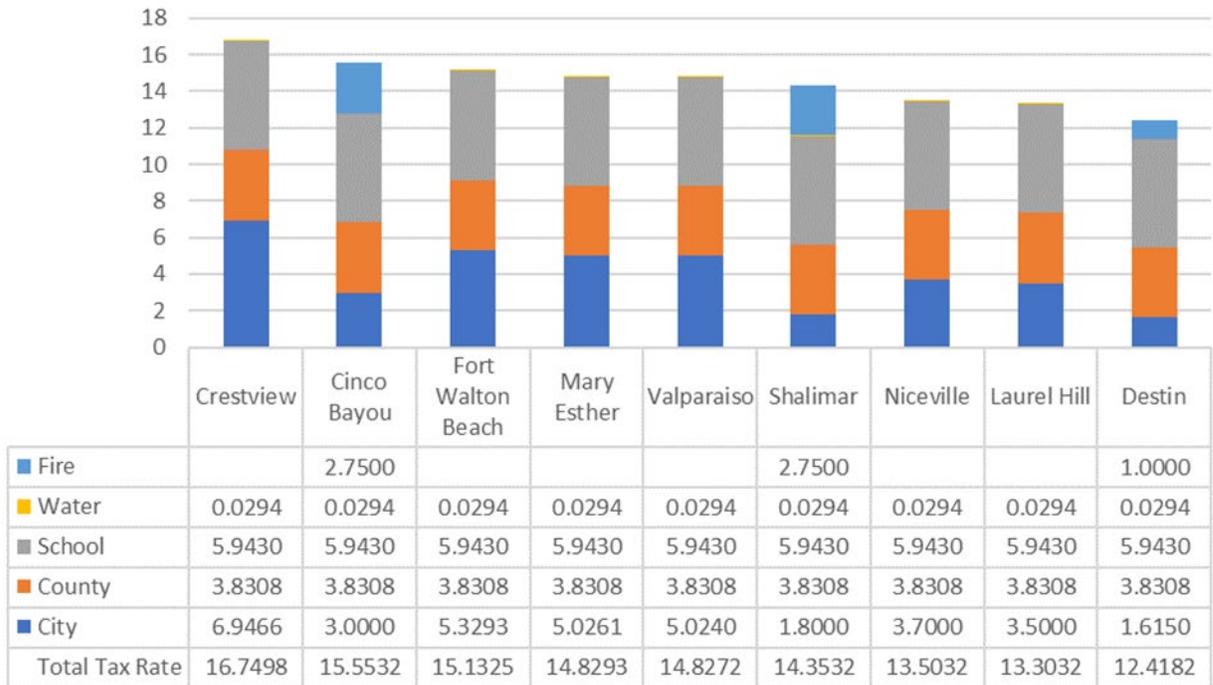
Tax Rates

A property tax bill includes charges for all taxing authorities associated with the property's location. For example, it would include the municipality, school district, county, and any applicable special service districts such as include a fire district, water authority, park improvements, or even a special assessment.

A property within the City of Mary Esther would incur a total tax of \$14.8293 per \$1,000 of that property's assessed value. The City's portion of that total tax and designated for general city services is only \$5.0261 per \$1,000 of the property's assessed value. The tax rate has remained unchanged from 2019.

Property Tax Rate Comparison by Municipality within Okaloosa County

The chart below shows the property tax rate for each municipality within Okaloosa County. Crestview has the highest combined tax rate at 16.7498, while Destin has the lowest at 12.4182. Mary Esther has a tax rate that is near the median, 0.3053 lower than Fort Walton Beach and 0.0021 higher than Valparaiso.



Notes:

- (1) City includes city property taxes.
- (2) County includes county property taxes.
- (3) School includes local school district property taxes.
- (4) Water includes NW Florida Water Management District property taxes.
- (5) Fire includes independent fire district property taxes.

The table below shows the annual property tax bill for a commercial property with an assessed value of \$500,000. With this example, the City of Crestview would have the highest property tax bill at \$8,374.90 and Destin would have the lowest at \$6,209.10. Mary Esther is near the median at \$7,414.65, \$151.60 less than Fort Walton Beach and \$1.05 higher than Valparaiso.

Municipality	City	County	School	Water	Fire	Total Tax
Crestview	\$ 3,473.30	\$ 1,915.40	\$ 2,971.50	\$ 14.70	\$ -	\$ 8,374.90
Cinco Bayou	\$ 1,500.00	\$ 1,915.40	\$ 2,971.50	\$ 14.70	\$ 1,375.00	\$ 7,776.60
Fort Walton Beach	\$ 2,664.65	\$ 1,915.40	\$ 2,971.50	\$ 14.70	\$ -	\$ 7,566.25
Mary Esther	\$ 2,513.05	\$ 1,915.40	\$ 2,971.50	\$ 14.70	\$ -	\$ 7,414.65
Valparaiso	\$ 2,512.00	\$ 1,915.40	\$ 2,971.50	\$ 14.70	\$ -	\$ 7,413.60
Shalimar	\$ 900.00	\$ 1,915.40	\$ 2,971.50	\$ 14.70	\$ 1,375.00	\$ 7,176.60
Niceville	\$ 1,850.00	\$ 1,915.40	\$ 2,971.50	\$ 14.70	\$ -	\$ 6,751.60
Laurel Hill	\$ 1,750.00	\$ 1,915.40	\$ 2,971.50	\$ 14.70	\$ -	\$ 6,651.60
Destin	\$ 807.50	\$ 1,915.40	\$ 2,971.50	\$ 14.70	\$ 500.00	\$ 6,209.10

Notes:

- (1) City includes city property taxes.
- (2) County includes county property taxes.
- (3) School includes local school district property taxes.
- (4) Water includes NW Florida Water Management District property taxes.
- (5) Fire includes independent fire district property taxes.

Utility Rate Comparison

Water and sewer bills include a base charge (“Ready to Serve”) and consumption charge on the monthly use of water and sewer services. The chart below compares monthly utility charges for commercial accounts among municipalities within Okaloosa County assuming 10,000 gallons per month of water consumption. The stormwater charge is based on 6,400 square feet of impervious surface. The trash rate is based on a four (4) cubic yard container.



Notes:

- (1) Laurel Hill does not provide sewer services and was excluded.
- (2) Cinco Bayou did not provide information on all utilities and was excluded.
- (3) Mary Esther, Destin, Shalimar, and Valparaiso do not charge for stormwater services.

Business Taxes

Nearly all municipalities in Florida levy a tax on businesses for the privilege of engaging in or managing any business, profession or occupation within their corporate limits. The fee schedule for the City of Mary Esther is summarized and provided below.

Fee Schedule

Classification	Annual Fee
Banking Institutions	\$150.00
Insurance Agent/Firm	\$25.00
Professional Class I (Attorney, Doctor, Dentist, Broker, etc.)	\$150.00
Professional Class II (Hairstylist, Nurse, Real Estate Agent, etc.)	\$25.00
Retail/Wholesale Outlets	*\$25.00-\$7,000.00
Food/Beverage Establishments	*\$25.00-\$2,500.00
Rental Units (based on number of units)	\$25.00-\$500.00
Coin/Token Operated Machines (based on number of machines)	\$10.00-\$150.00

Notes:

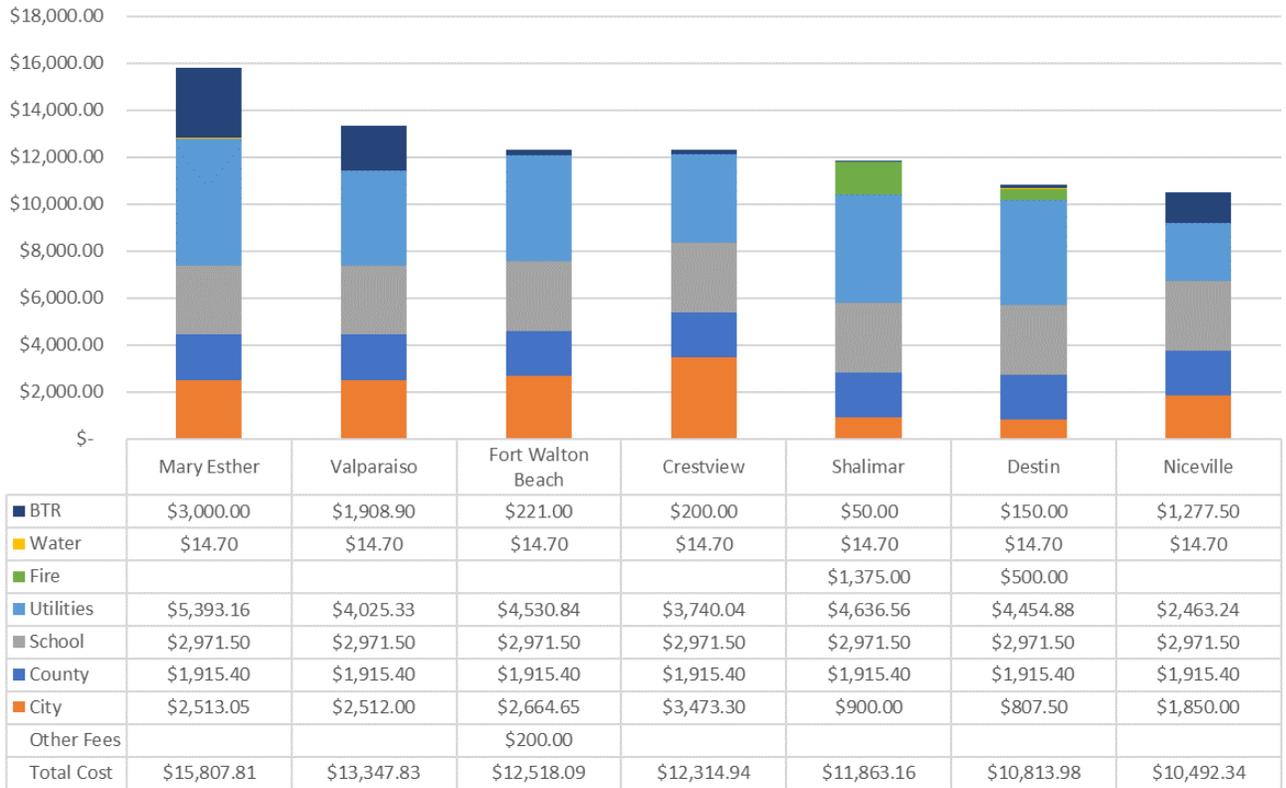
(1) Retail/Wholesale Outlets and Food/Beverage taxes are based on gross sales.

Businesses that fall within the Banking, Insurance Professional, Rental Units, Coin/Token Operated Machines classifications pay a flat tax that is generally comparable to other municipalities. For comparison purposes, the chart below shows annual business taxes for a Retail/Wholesale Outlet with gross receipts of \$3,000,000.



Total Annual Property Taxes, Utility Charges, and Business Taxes

The chart and table below uses the property tax bill, business tax, utility and other fees to develop an annual cost of public services for a model retail business with an assessed real estate valuation of \$500,000; annual gross receipts of \$3,000,000; 10,000 gallons of water per month; 6,400 square feet of impervious surface area for stormwater; and a four (4) cubic yard container for solid waste services.



Notes:

- (1) Laurel Hill does not provide sewer services.
- (2) City includes city property taxes.
- (3) County includes county property taxes.
- (4) School includes local school district property taxes.
- (5) Water includes NW Florida Water Management District property taxes.
- (6) Fire includes fire district property taxes.
- (7) Utilities includes water, sewer, stormwater, and trash service fees.
- (8) BTR includes business taxes.
- (9) Other Fees includes miscellaneous fees (i.e. fire assessment fees).

Recommendations

The following section is intended to provide recommendations for each revenue source. Please note this analysis did not consider criteria such as scope or quality of service. It was intended to provide the staff, Mayor, Council, and residents with a better understanding of where the City stands among its peers in the metropolitan area.

- (1) Property taxes are about average for our area. Any proposed increase in the property tax rate should be tied to an increase in the scope or level of service. Staff will approach future budget years with the assumption of maintaining the current tax rate.
- (2) Utility fees are higher than in surrounding municipalities. One major factor that determines rates is the level of past and planned capital investment. Utilities generally fall into one of three categories:
 - a. Defer investment to maintain low utility rates. Customers benefit short term.
 - b. Invest in scheduled maintenance and replacement. Customers benefit long-term with stable rates, typically near the median.
 - c. Lack of investment leads to costly repairs and replacement. Rates are increased significantly to cover replacement and preventative maintenance.

In 2019, the City of Mary Esther adopted a multi-year rate schedule to invest in our infrastructure. The last rate adjustment was completed in October 2021. Continued investment will lower the lifecycle cost of infrastructure and eventually lead to rates closer to the median. Staff does not recommend an adjustment for FY 2023.

- (3) Business taxes are comparable to surrounding municipalities, except for those classifications charged based on gross revenues. There are two classifications where business taxes are based on gross revenues – Retail/Wholesale and Food/Beverage. The following are three options for Council review and consideration:
 - a. Option 1, No Change – The City’s current classification system was grandfathered in 1995. One legislative provision states the City cannot change the business *tax rate* for businesses charged on *gross revenues*. If the Council desires to make changes, a committee would be required to propose fixed fees for each business classification.
 - b. Option 2, Fixed Fee – The City Council would be required to appoint a group of business leaders to develop new fees for each classification. Their recommendations would be forwarded to the Council for review and consideration.
 - c. Option 3, Committed Revenues – This option would not change the fee structure, but would seek to provide a direct benefit to the business community. Existing business tax revenues would be committed for specific purposes, such as right-of-way maintenance, beautification, and/or business initiatives (i.e. façade grant).



**Action Plan
Fiscal Year 2023**

GOALS

The Action Plan incorporates five overarching goals. The overall health of the City depends on our collective ability to successfully accomplish each of these Goals concurrently:

Organizational Excellence

Foster a transparent organization of employees challenged to provide high quality, responsive, and innovative services efficiently and effectively.

Community Development

Positively plan, develop, and coordinate economic and population growth consistent with community values.

Financial Sustainability

Responsibly manage financial resources to ensure the City can provide exceptional services, equipment, facilities and infrastructure today, without compromising the level of service for future generations.

Dependable Infrastructure

Provide safe, well-maintained, and dependable water, sewer, stormwater, and transportation infrastructure supported by fair and equitable fiscal policy.

Exceptional Quality of Life

Promote a clean, engaged community environment where people feel safe and enjoy access to community amenities that support a high quality of life.

OBJECTIVES

Several objectives are identified under each goal. The objectives refine the goals into broad action areas that support each goal.

WORK PLANS

These represent a set of initiatives, actions, or performance measures, which are designed to support the objectives. Work plans are implemented, tracked, and reported to the City Council. Work plan initiatives are revised annually to advance the objectives.

ORGANIZATIONAL EXCELLENCE

Foster a transparent organization of employees challenged to provide high quality, responsive, and innovative services efficiently and effectively.

OBJECTIVE

1. Enhance communication and public outreach with residents, businesses, and organizations.

WORK PLAN

- A. Present a report of official communications using the website and social media, including performance data such as the number of posts or page likes.
- B. Publish a monthly status report of ongoing and future projects on the City website.
- C. Conduct an annual citizen survey of programs and services.
- D. Develop a quarterly newsletter focused on City services, projects, events, and distribute electronically and by mail.

OBJECTIVE

2. Improve the human resource capacity of the City by providing training opportunities and meaningful evaluation of staff.

WORK PLAN

- A. Ensure staff are evaluated annually, with meaningful recommendations and plans for remediation included.
- B. Provide a training program for all departments and include within the annual budget.

OBJECTIVE

3. Recommend policies that support the direction, goals, and objectives of the City Council.

WORK PLAN

A. Review the Mary Esther Municipal Code and recommend areas of emphasis to the City Council.

OBJECTIVE

4. Support the professional development of the governing body.

WORK PLAN

A. Provide development materials and opportunities (i.e. articles, presentations, classes) through organizations such as the Florida League of Cities.

B. Present options for at least one on-site group training opportunity on a topic such as communication, teambuilding, or ethics.

COMMUNITY DEVELOPMENT

Positively plan, develop, and coordinate economic and population growth consistent with community values.

OBJECTIVE

1. Provide a high-quality built environment and support diverse neighborhoods through effective planning and zoning practices.

WORK PLAN

- A. Complete implementation of new Enterprise Resource Planning software for processing planning and building permits, including intake, review, inspections, and reporting.
- B. Evaluate the building permit review, inspection process, and recommend improvements to provide a “one-stop shop” for builders, contractors, and homeowners.
- C. Complete the long-range vision for the community (“Community Vision”) that addresses facilities, parks, housing, streets, utilities, public safety, and economic development.

OBJECTIVE

2. Create a welcoming business environment and assist with development, retention, and relocation efforts.

WORK PLAN

- A. Develop an economic development toolbox to assist business and entrepreneurs.
- B. Conduct review of the Business Tax Receipts program and identify opportunities to reduce and simplify classifications.

FINANCIAL SUSTAINABILITY

Responsibly manage financial resources to ensure the City can provide exceptional services, equipment, facilities and infrastructure today, without compromising the level of service for future generations.

OBJECTIVE

1. Maintain financial records that are accurate, dependable, and inspire public trust.

WORK PLAN

- A. Provide monthly and quarterly financial reports consistent with the Financial Management Handbook.
- B. Maintain an unrestricted fund balance/net position in the operating funds in accordance with the Financial Management Handbook to respond to contingencies such as an economic recession, hurricane, or other emergency.
- C. Submit the Annual Financial Report to the City Council by March 31.

OBJECTIVE

2. Develop a balanced budget and sustainable revenues to support general operations and planned capital improvements.

WORK PLAN

- A. Submit proposed operating budget to the City Council by June 30.
- B. Submit narratives to the City Council explaining the programs, services, and goals for each department.
- C. Update schedule of fees to reflect actual costs of providing materials and services.

DEPENDABLE INFRASTRUCTURE

Provide safe, clean, well-maintained, and dependable infrastructure.

OBJECTIVE

1. Meet or exceed Federal and State water, sewer, and stormwater regulatory requirements and standards.

WORK PLAN

- A. Meet or exceed sewer discharge permit requirements.
- B. Meet or exceed water quality permit requirements.
- C. Meet or exceed stormwater quality permit requirements.
- D. Submit annual water report to the City Council and residents.

OBJECTIVE

2. Reduce the lifecycle costs of equipment, facilities, and infrastructure by supporting a preventative maintenance program.

WORK PLAN

- A. Create a geographic information system (GIS) database of existing infrastructure.
- B. Complete asset management plans for water and sewer.

OBJECTIVE

3. Plan and develop new facilities and infrastructure to meet current and long-range needs.

WORK PLAN

- A. Update Water Master Plan to account for ongoing projects and establish a twenty (20) year planning period for capital improvements.
- B. Update Sewer Master Plan to account for ongoing projects and establish a twenty (20) year planning period for capital improvements.
- C. Submit an annual 5-Year Community Investment Plan to the City Council for review.
- D. Complete construction of the Springdale Park Neighborhood Infrastructure Improvements.
- E. Complete design of the Azalea Park Neighborhood Infrastructure Improvements.

DRAFT

EXCEPTIONAL QUALITY OF LIFE

Promote a clean, engaged environment where people feel safe and enjoy access to community amenities that support a high quality of life.

OBJECTIVE

1. Provide diverse recreation and library programming for residents of all ages and abilities.

WORK PLAN

- A. Advance community engagement by supporting at least three community events each year that cater to all ages, such as the Veterans Day Parade and Santa Run.
- B. Distribute survey to residents and solicit input on topics for special programs, classes, and specific collection development.
- C. Establish a speaker series focused on leadership and workplace civility, happiness, and engagement.

OBJECTIVE

2. Improve public safety by enhancing crime reporting, public outreach, and emergency preparedness.

WORK PLAN

- A. Provide a monthly report from the Okaloosa County Sheriff's Office, including call data, to better understand work of the OCSO and criminal activity within our community.
- B. Provide a monthly report from the Ocean City-Wright Fire Department, including call data, to better understand work of the Department and fire activities within our community.
- C. Conduct an annual emergency preparedness exercise.

OBJECTIVE

- 3. Encourage community beautification by serving as an example and providing tools, incentives, and support.

WORK PLAN

- A. Submit a monthly status report on code compliance actions to the City Council.
- B. Distribute community outreach materials for code compliance through social media.
- C. Complete beautification projects at City Hall, Library, and Mary Esther Boulevard right-of-way.
- D. Negotiate agreement with Ferrovial Services for the maintenance of Highway 98.

OBJECTIVE

- 4. Develop and maintain parks, recreation, and library facilities for residents of all ages and abilities.

WORK PLAN

- A. Conduct a monthly safety inspection of parks and open spaces.
- B. Develop turf management plan to ensure turf is maintained at an acceptable standard.
- C. Develop a conceptual plan to improve at least one neighborhood park.