

REQUEST FOR CITY COUNCIL CONSIDERATION

Meeting Date: July 16, 2007

Agenda Item: 3 (F)	Prepared By: A. William Moss, City Manager Date: July 3, 2007
Agenda Section: Business: Discussion	
Subject: Proposed FY 08 Millage Rate	Department: City Manager

BACKGROUND:

Following adoption of Property Tax Reform by the Florida Legislature, City Council may wish to reconsider the tentative millage rate as directed during the Special-called Meeting to discuss the Five-year Capital Improvement Program held on May 21, 2007.

During the City Council CIP budget meeting of May 21, 2007, City Council discussed the proposed millage rate for FY08 (tax year 2007) and authorized the City Manager to set a tentative millage rate sufficient to raise ad valorem revenue equivalent to the amount received in FY07 with an additional 3% plus COLA, plus revenues for unrestricted reserves.

Adoption of HB 1B by the Florida Legislature, and signed into law by the Governor, may prohibit such tentative millage rate. The new millage rate options are as follows:

- Millage rate that will generate 91% of the property tax revenue received in 2006 (FY07). This is 91% of the rollback rate. The millage rate will be 1.2084, excluding the voter approved debt service levy.
- Millage rate that will generate the same property tax revenue received in 2006 (FY07). This is the rollback rate. A 2/3 vote of Council (5 of 7) is required. The millage rate will be 1.3240, excluding the voter approved debt service levy.
- The same millage rate used in 2006 (FY07). A unanimous vote of City Council is required. The millage rate will be 1.2445, excluding the voter approved debt service levy.

(The third option should not be considered. Because the total taxable value is lower in 2007 than 2006, this option will not generate more revenue following a unanimous vote of Council as is intended by the legislation. If Council wants to set a millage rate at this level, Council may do so with a supermajority vote since the millage rate will exceed the 91% of the rollback rate but will not exceed the rollback rate.)

Somewhat complicating the decision is the requirement for the following fiscal year (FY09). The rollback calculation must consider whether City Council voted to increase the prior year's rate in excess of the amount allowed by majority vote. In other words, the rollback calculation will assume the revenue for FY07 was 91% of the FY06 revenue. That calculation lowers the rollback rate for FY09 and then requires another supermajority vote. However, the millage rate approved by supermajority vote cannot exceed 110% as calculated above.

Further complicating the issue is the pending Florida Constitutional Amendment that, if adopted, will enact the so-called "super exemption" provisions. Adoption of the amendment will significantly reduce the amount of property tax revenue for next year, although the amount of the revenue reduction has yet to be quantified.

In summary, the City Manager cannot set a millage rate that will generate property tax revenue equal to the FY07 revenue plus 3% plus COLA. City Council is asked to establish a "maximum" tentative millage rate, subject to final approval during the budget hearings in September.

The tentative millage rate that will be reported to the Tax Collector and Property Appraiser cannot be raised at a later date. The tentative millage rate reported on August 1, 2007, therefore, should be the maximum amount that City Council may adopt during the budget hearing. The maximum amount adopted during the September budget public hearings is subject to the three above listed conditions.

Although not directly related to this issue, the City Manager again suggests that City Council reduce dependency on the property tax (75% of revenue) and consider all possible sources of revenue other than the property tax. New revenue sources can replace the property tax and, therefore, lower the property tax, with or without state intervention.

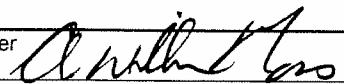
Whether or not the people of Florida support the Constitutional Amendment, municipal property taxes in Florida will continue to be targeted for reduction by the Florida Legislature. The Legislature has granted only a few revenue options to municipalities. These revenue options can be used to further lower the property tax should that be the desired policy of City Council.

RECOMMENDED ACTION:

Establish a tentative millage rate (maximum rate) from the options provided, or any rate lower than the second option.

Reviewed by Department Director

Reviewed by City Manager



Council Action: Motion by:

Second by: