

A special meeting of the City Commission was held on July 29, 2008 at 5:30 p.m. in the Commission Chambers at the Municipal Administration Building. The meeting was called to order by Vice-Mayor Jack Van Sickle.

COMMISSIONERS PRESENT: John Paul Rogers; Kathy Manry; Jack Van Sickle; Lee A. Wheeler, III., Mayor, via telephone.

COMMISSIONERS ABSENT: Terrye Y. Howell.

CITY REPRESENTATIVES PRESENT: Anthony G. Otte, City Manager; Judith H. Delmar, Asst. City Manager; Albert C. Galloway, Jr., City Attorney; Clara VanBlargan, City Clerk.

Agenda Item 1. CERTIFICATION OF TAXABLE VALUE, INTERIM MILLAGE & FY-08'09 BUDGET HEARING DATES

While reporting on Agenda Item 1, Mr. Otte referred to a handout called "The Open Record" that was distributed to everyone in attendance at the meeting. The full staff memo and "The Open Record" are incorporated into the minutes.

[begin agenda memo]

RECOMMENDATION

It was recommended that the City Commission take the following actions:

1. Approve the Certification of Taxable Value for 2008.
2. Set the interim millage rate at the rollback rate of 7.7459 mills.
3. Set the dates for the required public hearings for the adoption of the FY08'09 budget as Wednesday, September 3 and Tuesday, September 16.

BACKGROUND

Attached for your review and approval is the Certification of Taxable Value for 2008. As indicated, the gross taxable value for operating purposes is \$830,036,284. The City has seen a decline in taxable value of \$18,651,431 or 2.25% below the prior year's final gross taxable value of \$848,687,715. It is recommended that the City Commission approve the Certification of Taxable Value.

In order for the property appraiser to proceed with the mailing of the required TRIM notices, it will be necessary for the Commission to set an interim millage rate and establish the required public hearing dates for adoption of the FY08'09 budget.

We are recommending that the interim millage rate be set at 7.7459, the City's rollback rate. Florida law allows adjustment of the rollback rate for change in per capita Florida personal income (+1.0415), however, we are recommending that the interim millage rate be set at the unadjusted rollback rate.

The final adopted millage rate may not exceed the interim millage rate, but it may be reduced as the budget adoption process commences.

Because the rollback rate exceeds the maximum millage rate, the rollback rate will require a super-majority vote (two-thirds) for final adoption. The maximum millage rate that may be adopted by a regular majority vote of the City Commission is 7.3277.

If the fire services assessment program is adopted and recommended rates are approved on September 2, the millage rate may be dropped with the first reading of the millage adoption ordinance. The effect of the recommended fire assessment rates is shown below:

	tax rate	millage equivalent of fire assessment	potential tax rate
maximum	7.3277	1.6120	5.7157
rollback	7.7459	1.6120	6.1339
current rate	7.3521	1.6120	5.7401
rollback + 10%	8.8741	1.6120	7.2621

The City Commission must set a date and time for the first public hearing on the FY08'09 budget. This information will be included on the preliminary tax notice which is forwarded to each taxpayer and will serve as official public notice of the hearing. Florida Statutes stipulate that the first public hearing can be held no sooner than 65 days after the Certification of Taxable Value by the Property Appraiser or July 1, whichever is later. Certification occurred on June 27, therefore the first public hearing can be held no sooner than Wednesday, September 3 (65 days after July 1).

Normally our public hearings are held during the City Commission's regularly scheduled meetings in September unless there are conflicts with the dates scheduled by the Board of County Commissioners. This year, there are no conflicts with the dates scheduled by either of these agencies, however the regularly scheduled City Commission meeting date falls on the 64th day after July 1.

We are recommending that the regular Commission meeting be held as usual on the first Tuesday (September 2) and that the fire assessment program be considered at that meeting. Approval or disapproval of the fire assessment rates will determine whether the higher or lower millage rate can be adopted.

We are recommending that the first public hearings for the millage and budget be held at a special meeting on Wednesday, September 3 at 6:00 p.m. We are recommending that the second public hearings be held at the regularly scheduled City Commission meeting on Tuesday, September 16 (the third Tuesday).

DISCUSSION OF OPTIONS & FISCAL IMPACT

If we were designing the budget process it would look like this:

1. City staff would gather information and prepare the budget
2. the Commission would review the budget document
3. the Commission would adopt the millage rate required to fund the budget

However, state law requires that the county property appraiser notify each property owner of the interim millage rate and the dates of the meetings for adoption of the millage and budget. To give time for the mailing of this notice to the property owner, the taxing agency (city, county, school board, water management district, etc) must, by law, adopt an interim millage rate no later than August 4.

This date creates difficulties in the budget schedule because some critical information that staff must use in budget preparation – including state revenue estimates and insurance cost increases – is not usually available early enough to work into the proposed budget much before the deadline for adopting the interim millage rate.

The law provides that the final rate adopted can be lower than the interim millage, but not higher (you can not have a final rate that is higher than the interim millage rate, but it can be lowered). Therefore, it is not uncommon for a city commission to adopt an interim millage rate that is likely to be higher than the final millage rate in order to allow flexibility during the budget review process.

To add a complicating factor to the municipal budget process, this is the first year for implementation of the maximum millage rate determination – what does that mean? We are now presented with several options in setting the interim millage rate:

- The maximum millage rate refers to the maximum rate that can be adopted by majority vote of the City Commission. The City's maximum millage rate is 7.3277. This represents a 5.4% reduction in the tax rate because it is lower than the rollback rate.
- The interim millage rate can be set at the rollback rate of 7.7459, but this will require a two-thirds vote for final adoption because it exceeds the City's maximum millage rate that can be adopted by majority vote. The rollback rate is the millage rate that will generate the same amount of revenue next year as the current year's rate. If the taxable value of the city goes up, the rollback will be lower than the current rate. If the taxable value of the city goes down, the rollback rate will be higher than the current year's rate. The rollback rate is a 0% change.
- The City's current rate is 7.3521. Maintaining the current tax rate will mean a tax reduction of 5.08% because it is lower than the rollback rate; however, this option will require two-thirds vote of the City Commission for final adoption because it exceeds the City's maximum millage rate.
- The interim millage rate can be set at a rate between 7.7459 mills (rollback rate) and 8.8741 (rollback plus 10%) with a two-thirds vote. Any rate above 8.8741 mills will require the unanimous vote of the City Commission for adoption.

The fiscal impact of setting the interim millage at the maximum rate compared to the rollback rate and the current rate is as follows:

	tax rate	ad valorem proceeds	add'l proceeds over maximum	Adoption requirement
Maximum	7.3277	6,082,267	-	3-2 vote
Rollback	7.7459	6,429,402	347,135	4-1 vote
current rate	7.3521	6,102,510	20,243	4-1 vote
rollback + 10%	8.8741	7,365,825	1,283,558	4-1 vote

If any millage rate is adopted without following the voting requirement shown in the chart, the City will be penalized by loss of its sales tax revenue distribution.

What this means for us

The City Commission does not have to make a decision on the final rate at this meeting. The final decision can be made after we thoroughly review and discuss the budget and all of its implications; however, we do have to make a decision on the interim millage rate at this meeting.

At the city managers' meeting on July 24, each city reported on what raises they were recommending in their draft budgets. With Auburndale, Davenport, Bartow, Haines City, Dundee, Lake Alfred, Polk City, and the county represented, most are recommending raises at 3%. Interestingly, two other managers

mentioned familiar items of concern in their towns: one spoke of a low fund balance; another said they were looking to set up a tax anticipation note to get them through the first quarter of the fiscal year.

With the maximum millage rate, it is likely there will be insufficient revenue to provide a pay raise for our 8 employees. With the rollback rate, a slight raise would be possible.

It is staff's recommendation that we set the interim millage rate at the rollback rate of 7.7459 to give us flexibility going forward into the budget review process.

[end agenda memo]

[begin the open record]

The Open Record

By Tony Otte
July 29, 2008

State law requires every city to follow a complicated and time-sensitive process for the adoption of the millage rate (also known as the property tax rate) and budget. This year the process has become more complicated with the adoption of Amendment One last January, representing the second wave of property tax reform. In addition, the consideration of the Fire Assessment Fee by the City Commission adds more potential for misunderstanding, as City staff is recommending that the interim millage rate be adopted at 7.7459 rather than 5.7157. In the column let's explore the requirements for the adoption of the property tax rate and budget, and why timing – as they say – is everything!

The Process

State law requires that cities have a fiscal year that begins on October 1 and ends on September 30; therefore, the adoption of the millage rate and budget for each new fiscal year takes place in September, at two separate public hearings.

State law also requires that property owners receive a mailed notice of the first of these two meetings, along with what is called the "interim" millage rate. In order to provide adequate time for the mailing of the notices, this year the interim millage rate must be adopted no later than August 4. To add a further complication to the process, state law further requires that the interim millage rate may be reduced later, at the adoption hearings... but it cannot be increased. Therefore, there may be a tendency among cities to adopt a higher interim millage rate and have the opportunity to reduce it at the adoption hearings. The untentable alternative is to set the interim rate too low and not have an opportunity to raise it upon adoption.

Millage Rates

In addition to the "interim" millage rate, there are several other rates that are calculated:

- The "rollback" rate is the rate that will provide the same amount of revenue that was produced last year;
- The "maximum" rate is the highest rate that can be adopted by a simple majority of the City Commission. The rate may be higher with a two-three vote.

In the past, the rollback rate was usually lower than the rate the City Commission adopted for the previous year, because when new growth is factored in, it will take a lower rate multiplied times the higher tax base to produce the same amount of revenue. However, for the first time in anyone's memory, this year the rollback rate is higher than our present millage rate – because the value of our tax base declined (by over \$18 million or 2.25%) rather than increased. The actual rates are as follows:

Current rate	7.3521
Rollback rate	7.7459
Maximum rate	7.3277

City Staff Recommendation for the Interim Millage Rate

City staff is recommending that the City Commission adopt the rollback rate as the interim millage rate. Because the rollback rate exceeds the maximum millage rate, the final adoption of the rollback rate requires a super-majority vote (two thirds, rather than 51%). The rollback rate is revenue neutral for the City, providing the same amount of revenue that was provided in the current year. If the Commission wishes, this rate can be reduced at final adoption.

Effect of the Fire Assessment Fee

City staff is also recommending adoption of the fire assessment fee and an equivalent reduction in the millage rate. The schedule for the timing of the actions is as follows:

- **August 4:** Second reading of the ordinance to establish the fire assessment fee ordinance
- **September 2:** Final approval of the fire assessment fee rates
- **September 3:** First public hearing of the millage rate (with the equivalent reduction in the millage rate allowing for the fire assessment fee revenue) and the budget
- **September 16:** Second public hearing of the millage rate (with the equivalent reduction in the millage rate allowing for the fire assessment fee) and the budget

Conclusion

The interim millage rate cannot be set assuming that the fire assessment fee and the proposed rates will be approved; therefore, the rollback rate is proposed for the tentative millage rate. If the Fire Assessment Fee and the proposed rates are approved, then City staff recommends a millage rate of 5.7157 be adopted – which is the maximum millage rate with the equivalent reduction provided by the approval of the Fire Assessment Fee and the proposed rate schedule. This would provide the revenue allocated in the proposed budget and reach the goal of significantly reducing the millage rate.

[end the open record]

OPENED TO PUBLIC COMMENT

There were no comments made by the public.

CLOSED TO PUBLIC COMMENT

Commissioner Manry said that the best course of action at this point would be to set the interim millage rate at the recommended unadjusted rollback rate of 7.7459.

Commissioner Rogers said that the roll back rate of 7.7459 could decrease to 5.7157 if the Commission adopts the fire assessment.

Mayor Wheeler said that he had no questions because the agenda memo provided to the Commission was very clear. He commented that this is a prudent move.

Commissioner Manry made a motion to approve the Certification of Taxable Value for 2008, set the interim millage rate at the rollback rate of 7.7459 mills, and set the dates for the required public hearings

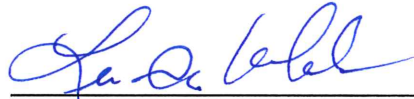
for the adoption of the FY08'09 budget as Wednesday, September 3 and Tuesday, September 16. The motion was seconded by Commissioner Rogers.

ROLL CALL:

Commissioner Manry	"YES"
Commissioner Rogers	"YES"
Mayor Wheeler	"YES"
Vice-Mayor Van Sickle	"YES"

The motion carried 4-0.

There being no further business, the meeting was adjourned.



Mayor/Commissioner

ATTEST:



City Clerk