



City of Largo Agenda Item 13

Meeting Date
07/17/18

Presenter: **Meridy Semones, OMB Manager**

Department: **AD – Administration**

TITLE:

APPROVAL OF THE PROPOSED PROPERTY TAX RATE TO BE LEVIED AND THE TIME, DATE, AND PLACE FOR THE FIRST PUBLIC HEARING FOR THE PROPERTY TAX RATE AND BUDGET ADOPTION FOR FY 2019

Establishing the property tax rate is one of the most important and politically sensitive decisions that the City Commission must make each year. The decision impacts not just the budget year for which the rate is levied, but also has a long term effect on the City's financial health and ability to provide services. Despite the economic recovery, property values have still not recovered to 2008 peak, pre-recession values (\$4.8 Billion). Additionally, State imposed limitations on property tax increases have made the establishment of the property tax rate a focal point of the annual budget process.

City Administration recommends keeping the property tax rate for FY 2019 at the current rate of 5.7413 mills, which is the Rolled-back Rate plus a 6.28% increase in property tax revenue. Updated property values were received on July 1 from the Property Appraiser's Office reporting an increase of 7.46% in property values. City Administration's proposed property tax rate is adhering to the long-range strategy established by the City Commission to better control General Fund revenues by implementing small incremental increases in property tax revenue annually until a target of 20% General Fund fund balance is met. An annual increase in revenue does not directly correlate to the change in the property tax rate levied because the rate is dependent on changes in property values, new construction, and annexations. The proposed 5.7413 mills would generate \$1,780,000, or 7.36%, in additional General Fund property tax revenue, which will help the City to continue to provide the quality services that residents and businesses expect, help fund the increasing costs of providing services (employee salary increases and regular operating increases), and increase staffing and resources to meet growing service demands, while working toward achieving the goal of 20% unrestricted fund balance.

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Budgeted Amount: Budget Page No(s).: Available Amount: Expenditure Amount:

Additional Budgetary Information:

Funding Source(s): Sufficient Funds Available: Yes No Budget Amendment Required: Yes No Source:

City Attorney Reviewed: Yes No N/A
 Advisory Board Recommendation: For Against N/A
 Consistent With: Yes No N/A

Potential Motion/Direction Requested:

Staff Contact:

Attachments:

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The Pinellas County Property Appraiser will be mailing the Notice of Proposed Property Taxes (Truth in Millage or TRIM notices) on August 20, 2018 to all property owners in Pinellas County. The TRIM notice will calculate property taxes using the proposed FY 2019 tax rates for all taxing entities, including the City of Largo, as well as the time, date and place for the first public hearing for property tax rate and budget adoption.

During the two public hearings conducted for adoption of a property tax rate and budget, the City Commission may levy a tax rate lower than the rate proposed in the TRIM notices; however, it cannot exceed the rate used in the TRIM notices. The first public hearing is proposed to be held at the Regular City Commission Meeting on Tuesday, September 4 at 6:00 p.m. The second public hearing is proposed to be held at the Regular Meeting on Tuesday, September 18 at 6:00 p.m. The Budget Work Session was held on Friday, July 13 with the Finance Advisory Board (FAB). A follow-up Work Session is scheduled for Tuesday, August 14 for the City Commission to provide final budget direction and consider the FAB's budget recommendations prior to the first public hearing to adopt a tax rate and budget for FY 2019.

The rolled-back property tax rate, which would generate the same property tax revenue as the prior year plus additional revenue from new construction and annexations, is 5.4018 mills. As defined by the State of Florida, a millage rate equal to or less than the Maximum Millage Rate, which is the Rolled Back Rate plus the Florida per capita income growth rate, (5.4812) can be adopted with a simple majority vote of the City Commission (4/7). A millage rate set up to 110% higher than the Maximum Millage Rate (6.0293) requires a super majority vote (5/7), while any millage rate greater than 110% requires a unanimous vote of the City Commission. The proposed millage rate for FY 2019 is 5.7413, or the Rolled-Back Rate plus 6.28%, and will require a super-majority vote (5/7) of the City Commission.

For FY 2019, the Pinellas County Property Appraiser has projected an increase in taxable value of 7.46%, the sixth consecutive increase after several years of reduced values. Taxable value peaked in FY 2008 at \$4.8 billion.

Year	Taxable Values	% Difference from Prior Year
FY 2011 Final Gross Taxable Value	3,486,118,909	-10.56%
FY 2012 Final Gross Taxable Value	3,306,805,549	-5.14%
FY 2013 Final Gross Taxable Value	3,244,615,167	-1.88%
FY 2014 Final Gross Taxable Value	3,289,066,021	1.37%
FY 2015 Final Gross Taxable Value	3,467,172,716	5.42%
FY 2016 Final Gross Taxable Value	3,724,208,734	7.41%
FY 2017 Final Gross Taxable Value	4,044,507,672	8.60%
FY 2018 Final Gross Taxable Value	4,363,566,969	7.88%
FY 2019 July 1 Taxable value Estimates	4,689,087,872	7.46%
Change From FY 2011	1,202,968,963	34.50%

FY 2019 Components of Taxable Value Change:

New Construction	34,361,600	+0.79%
Annexation	8,947,342	+0.20%
Increase in Value of Existing Property	316,535,217	+6.47%
Net Change in Taxable Value	325,520,903	+7.46%

Based on a 96.5% collection rate, the value of 1 mill (\$1.00 of tax per \$1,000 of taxable value) has changed as follows:

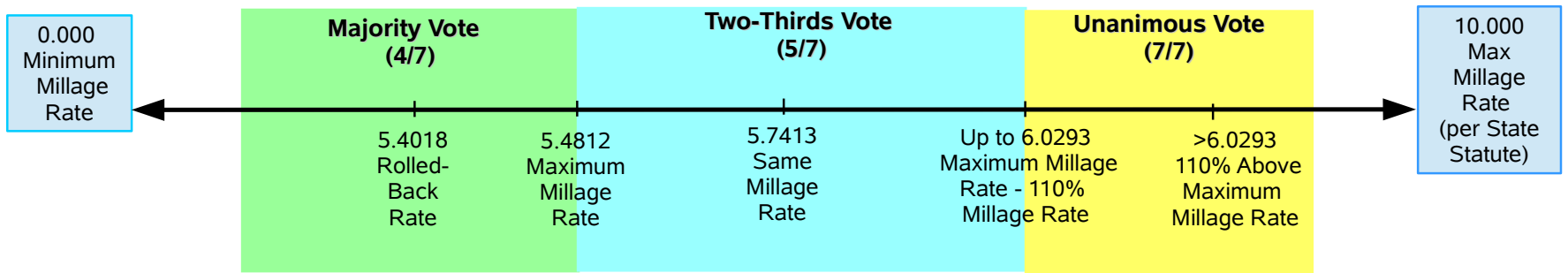
Value of One Mill

FY 2011	\$3,364,105
FY 2012	\$3,191,067
FY 2013	\$3,131,054
FY 2014	\$3,173,949
FY 2015	\$3,351,346
FY 2016	\$3,598,260
FY 2017	\$3,911,642
FY 2018	\$4,214,824
FY 2019	\$4,524,970

Note: The average assessed value of a single family home is approximately \$131,460 with an average taxable value of \$94,574.

City of Largo FY 2019 Millage Rate Analysis

Description	Millage Rate	General Fund Prop Tax Revenue	Difference from Prior Year	Total Tax Levy (includes CRA)	Value of One Mill of Total Tax Levy (96.5%)
FY 2011 Budget	4.3113	\$14,251,000	-\$1,585,000	\$15,029,704	\$3,364,105
FY 2012 Budget	4.5594	\$14,380,000	\$129,000	\$15,077,049	\$3,191,067
FY 2013 Budget	4.9999	\$15,440,000	\$1,060,000	\$16,222,751	\$3,131,054
FY 2014 Budget	5.2139	\$16,346,000	\$906,000	\$17,148,861	\$3,173,949
FY 2015 Budget	5.1943	\$17,163,000	\$817,000	\$18,039,271	\$3,351,346
FY 2016 Budget	5.3705	\$19,056,000	\$1,893,000	\$20,000,863	\$3,593,861
FY 2017 Budget	5.3705	\$20,686,000	\$1,630,000	\$21,721,028	\$3,902,950
FY 2018 Budget	5.7413	\$24,199,000	\$3,513,000	\$25,052,547	\$4,210,842
Alternative FY 2019 Budget (rolled-back rate)	5.4018	\$24,443,000	\$244,000	\$25,329,515	\$4,524,970
Alternative FY 2019 Budget (majority vote maximum millage rate)	5.4812	\$24,802,000	\$603,000	\$25,701,828	\$4,524,970
FY 2019 Proposed Budget (Requires Super Majority Vote)	5.7413	\$25,979,000	\$1,780,000	\$26,921,460	\$4,524,970



FY 2019 Taxable Value for Homesteaded Properties has a 2.1% CPI increase due to the Save Our Homes catch up provision

FY 2019 Non-Homesteaded Property has a total tax base increase of 7.46% (10% cap).

Value of one mill = (Total Tax Levy x 0.965 [amount that is budgeted as revenue]) / millage rate

Rolled-Back Rate = Rate that would generate the same revenue as the previous year + revenue from new construction and annexation

Maximum Millage Rate = Maximum Rate adoptable with a simple majority vote of the City Commission (Adjusted Rolled-back Rate increased by income growth)

Total Tax Levy = Property tax revenue for City of Largo including West Bay Drive Community Redevelopment Agency DTIF

Millage Rate Scenarios For Actual Homesteaded Property in Largo

Ridge Road SW Sale Date: 2008	Assessed Value	Taxable Value	Millage Rate	Annual City Taxes	Difference from Prior Year Taxes
FY 2011 Property Tax – Save Our Homes Cap Starts	\$152,133	\$102,133	4.3113	\$440	-\$438
FY 2012 Property Tax	\$151,933	\$101,933	4.5594	\$465	\$25
FY 2013 Property Tax	\$128,724	\$78,724	4.9999	\$394	-\$71
FY 2014 Property Tax	\$132,355	\$82,355	5.2139	\$429	\$35
FY 2015 Property Tax	\$134,340	\$84,340	5.1943	\$438	\$9
FY 2016 Property Tax	\$135,415	\$85,415	5.3705	\$459	\$21
FY 2017 Property Tax	\$136,363	\$86,363	5.3705	\$464	\$5
FY 2018 Property Tax	\$139,227	\$89,227	5.7413	\$512	\$48
Alternative FY 2019 Budget (rolled-back rate)	\$142,151	\$92,151	5.4018	\$498	-\$14
Alternative FY 2019 Budget (majority vote maximum millage rate)	\$142,151	\$92,151	5.4812	\$505	-\$7
Proposed FY 2019 Budget (same millage rate as FY 2018)	\$142,151	\$92,151	5.7413	\$529	\$17

Millage Rate Scenarios For Actual Non-Homesteaded Property in Largo

East Bay Drive Large Commercial Newer Construction	Assessed Value	Taxable Value	Millage Rate	Annual City Taxes	Annual Difference from Prior Year Taxes
FY 2011 Property Tax	\$4,750,000	\$4,750,000	4.3113	\$20,479	-\$2,802
FY 2012 Property Tax	\$4,450,000	\$4,450,000	4.5594	\$20,289	-\$190
FY 2013 Property Tax	\$4,400,000	\$4,400,000	4.9999	\$22,000	\$1,711
FY 2014 Property Tax	\$4,540,000	\$4,540,000	5.2139	\$23,671	\$1,671
FY 2015 Property Tax	\$4,632,700	\$4,632,700	5.1943	\$24,064	\$393
FY 2016 Property Tax	\$5,095,970	\$5,095,970	5.3705	\$27,368	\$3,304
FY 2017 Property Tax	\$7,500,000	\$7,500,000	5.3705	\$40,279	\$12,911
FY 2018 Property Tax	\$7,825,000	\$7,825,000	5.7413	\$44,926	\$4,647
Alternative FY 2019 Budget (rolled-back rate)	\$8,408,745	\$8,408,745	5.4018	\$45,422	\$496
Alternative FY 2019 Budget (majority vote maximum millage rate)	\$8,408,745	\$8,408,745	5.4812	\$46,090	\$1,164
Proposed FY 2019 Budget (same millage rate as FY 2018)	\$8,408,745	\$8,408,745	5.7413	\$48,277	\$3,351

FY 2019 TRIM Max Millage Rate Approval
 Impact of Proposed Millage Rates on General Fund

Millage rate	Description	Definition	Tax Increase*	General Fund Prop. Tax Revenue	General Fund Prop Tax Revenue Change from FY 2018	FY 2019 Ending Fund Balance %	FY 2023 General Fund Ending Fund Balance % **
5.4018	FY 2019 Rolled-back rate	The millage rate that will provide the same ad valorem tax revenue for the City as was levied in FY 2017, PLUS additional revenue from the value of new construction and annexed properties.	0.00%	\$24,443,000	\$244,000	15.1%	10.2%
5.4812	Simple Majority Vote Maximum Millage Rate	The maximum millage rate that can adopted with a simple majority vote (4/7).	1.47%	\$24,802,000	\$603,000	16.1%	12.9%
5.7413	FY 2019 Proposed Millage Rate (current millage rate)	The current effective millage rate in FY 2016 and the proposed millage rate for FY 2017.	6.28%	\$25,979,000	\$1,780,000	19.1%	21.8%

* The percent of the tax increase is as calculated by the Dept. of Revenue DR-420 and does not include tax revenue from the value of new construction and annexations.

** Future Projections include 6% Property Tax Revenue Increases after FY2020 (add'l Homestead Exemption)

FY 2019 TENTATIVE BUDGET GENERAL FUND	ACTUAL FY 2017	BUDGET FY 2018	ESTIMATED FY 2018	BUDGET FY 2019	BUDGET FY 2020	BUDGET FY 2021	BUDGET FY 2022	BUDGET FY 2023
BEGINNING BALANCE	9,141,800	9,794,800	11,496,900	13,297,300	16,655,800	16,250,300	16,612,600	17,748,900
<u>Revenue</u>								
Property Tax	20,705,141	24,199,000	24,199,000	25,979,000	25,789,000	27,336,000	28,976,000	30,715,000
Other Taxes	11,937,225	12,139,600	12,357,000	12,619,000	12,821,400	13,027,500	13,237,100	13,450,300
Licenses & Permits	5,723,838	5,860,100	6,167,000	6,315,000	6,437,000	6,561,400	6,688,300	6,817,800
Intergovernmental	18,399,019	19,832,400	19,541,100	21,643,200	20,509,100	21,166,300	21,847,700	22,554,400
User Charges	5,162,010	4,915,200	5,237,000	5,224,100	5,154,800	5,200,200	5,245,400	5,288,600
Fines	403,111	370,000	376,500	385,000	385,000	385,000	385,000	385,000
Miscellaneous	3,046,509	3,059,100	2,439,900	2,069,000	2,077,900	2,086,900	2,095,900	2,105,000
Interfund Charges / Transfers	3,297,864	3,687,000	3,684,000	3,893,000	3,938,000	4,465,000	4,622,100	4,678,200
Debt Proceeds	0	0	0	0	0	0	0	0
Total Revenue	68,674,717	74,062,400	74,001,500	78,127,300	77,112,200	80,228,300	83,097,500	85,994,300
Fund Balance Added (-) / Used (+)	-2,819,859	-1,743,000	-1,800,400	-3,358,500	405,500	-362,300	-1,136,300	-1,560,300
TOTAL RESOURCES	65,854,858	72,319,400	72,201,100	74,768,800	77,517,700	79,866,000	81,961,200	84,434,000
<u>Expenditures</u>								
Personnel	51,774,324	57,009,900	54,823,800	60,188,100	62,675,500	65,108,500	67,947,900	70,356,500
Operating	12,871,804	16,622,900	15,912,400	16,608,600	16,421,400	16,681,400	16,285,500	17,191,000
Other	-340,082	-166,200	-166,200	-250,100	-297,600	-387,800	-388,100	-388,300
Capital	1,548,812	2,260,500	1,631,100	1,745,300	2,371,100	2,227,200	1,977,900	1,253,400
Budget Reductions	0	0	0	0	0	0	0	0
Recurring Impact of Reductions	0	0	0	0	0	0	0	0
Total Expenditures	65,854,858	75,727,100	72,201,100	78,291,900	81,170,400	83,629,300	85,823,200	88,412,600
Change In Reserves	-464,757	0	0	0	0	0	0	0
Estimated Unexpended (4.5%)	0	-3,407,700	0	-3,523,100	-3,652,700	-3,763,300	-3,862,000	-3,978,600
ENDING BUDGETARY FUND BALANCE	11,496,902	11,537,800	13,297,300	16,655,800	16,250,300	16,612,600	17,748,900	19,309,200
Committed for Next Year's Budget Deficit	-1,700,700	-2,676,100	-164,600	-4,058,200	-3,401,000	-2,725,700	-2,418,300	-2,418,300
UNASSIGNED FUND BALANCE	9,796,202	8,861,700	13,132,700	12,597,600	12,849,300	13,886,900	15,330,600	16,890,900
Assigned for Vacation Liability	2,348,937	2,256,500	2,348,900	2,348,900	2,348,900	2,348,900	2,348,900	2,348,900
UNRESTRICTED FUND BALANCE	12,145,139	11,118,200	15,481,600	14,946,500	15,198,200	16,235,800	17,679,500	19,239,800
Property Tax Rate	5.3705	5.7413	5.7413	5.7413	TBD	TBD	TBD	TBD
Tax Increase % / Future Revenue % Change	6.06% Incr.	13.42% Incr.	13.42% Incr.	6.28% Incr.	-0.74% Rev.	6% Revenue	6% Revenue	6% Revenue
UNRESTRICTED FUND BALANCE	18.4%	14.7%	21.4%	19.1%	18.7%	19.4%	20.6%	21.8%