

IT'S LONG PAST TIME TO SHARE THE WEALTH, COMMISSIONERS: CUT THE MILLAGE RATE AND REDUCE SPECIAL ASSESSMENTS!

(Opinion by John Thompson © September 2006)

Lauderdale-by-the-Sea's tax base soared by over 24 percent this year -- the third highest increase in Broward County, where the tax roll jumped by an astonishing average 19-plus percent. Commissioners no longer have any excuse whatsoever for announcing proudly "Once again, we have not increased the millage rate," while trying to give the impression they are exercising fiscal responsibility. It is long past time for a substantial cut in the 4.70 millage rate, retained for the past four years despite repeated annual double-digit tax-roll increases. This year's huge windfall also creates an opportunity to eliminate -- or drastically reduce -- the special assessments and "fees" that place an inequitable burden on lower-income taxpayers and small businessmen -- including our charming mom-and-pop motels -- and several of which are currently under attack due to their highly questionable legality.

Lighthouse Point, which this year enjoyed a percentage tax-base increase only about 60% as large as that of LBTS, has proposed a cut in its millage rate again this year, as it has done in four of the five preceding years. Mayor Oliver Parker obviously also saw the need for some semblance of fiscal austerity when he placed items on the agenda of the June 13 commission meeting to "lower taxes by three percent and set the final millage at 4.55 mills" and to "insure that the fire assessment rate is not increased." But equally clearly, those would be quite inadequate, token gestures by comparison with the recent repeated annual double-digit increases in the tax base resulting from soaring property values.

Taking as a base \$983 million -- the taxable property values for 2001, the first year's data for LBTS within its current boundaries -- the cumulative impact on the tax base (and therefore on taxes collected) resulting from successive double-digit increases is starkly apparent:

<u>Year</u>	<u>Taxable Assessments</u>	<u>Annual Percentage Tax Increase</u>	<u>Cumulative Tax Increase over 2001 Base Year</u>	<u>Fire Assessment Tax Equivalency Increase over 2001 Base Year</u>	<u>Storm-Water Fee Tax Equivalency Increase over 2001 Base Year</u>	<u>Total Tax and Assessments-- Increase over 2001 Base Year</u>
2001	983,110,940					
2002	1,128,030,370	14.74%	14.74%			
2003	1,253,538,190	11.13%	27.51%			
2004	1,436,897,470	14.63%	46.16%			
2005	1,733,192,059	20.62%	76.30%			
2006	2,149,416,640	24.01%	118.63%	26.17%	8.45%	153.25%

If there is no reduction in millage for 2006, the tax bill will be over 118 percent higher than it was back in 2001. But 2001 was also the year a "temporary" non-ad-valorem special assessment for fire services (previously funded from ad valorem taxes) was levied, allegedly as a necessity in order to establish two separate fire-service districts (since replaced again by a single district -- but the special fire assessment remains). Last year, that assessment was budgeted to raise \$2,132,157, equivalent to the yield of 1.23 mills given this year's tax base, equivalent to a further 26 percent tax increase. Also, the special "storm-water utility" assessment (established just two years ago and doubled last year to \$84.00 a year for all residential properties) would, if funded ad valorem, require another 0.4 mills in next year's budget -- equal to a further 8.45 percent tax hike, bringing the entire cumulative tax increase (including the tax-equivalency of special assessments) to over 150 percent above the 2001 base year! Seen in the context of that tremendous tax increase, the Mayor's proposed 3-percent cut in millage pales into insignificance.

But we must be fair. Annual increases in taxable assessments include assessments for net new construction, which generates increased demands on municipal services, and cannot therefore be deemed pure "windfall" tax-base increases. We must also allow for inflationary increases in the cost of furnishing municipal services. Property Appraiser Lori Parrish's excellent data base contains the necessary information on new construction and Bureau of Labor Statistics tables cover various aspects of inflation. So let us see how such adjustments affect the real tax-base picture:

<u>Year</u>	<u>Taxable Assessments</u>	<u>Less Net New Construction</u>	<u>Assessments Net of New Construction</u>	<u>Ann. Percentage Increase Net of New Construction</u>	<u>Annual CPI Percentage Change</u>	<u>Real Annual Percentage Increase net of Inflation</u>	<u>Cumulative Percentage Increase in Real Value</u>	<u>Tax Equivalency of Assessments- (Increase over 2001 Base Year)</u>
2001	983,110,940							
2002	1,128,030,370	2,378,530	1,125,651,840	14.50%	1.60%	12.90%	12.10%	
2003	1,253,538,190	17,057,565	1,236,480,625	9.61%	2.40%	7.21%	20.19%	
2004	1,436,897,470	31,736,600	1,405,160,870	12.10%	1.90%	10.20%	32.44%	
2005	1,733,192,059	98,756,022	1,634,436,037	13.75%	3.30%	10.45%	46.28%	
2006	2,149,416,640	5,748,591	2,143,668,049	23.68%	3.40%	20.28%	75.95%	34.62%

It is clear that even after factoring out tax-base increases attributable to new construction and making ample allowance for inflation, the taxable assessments for 2006 are more than 75 percent higher than in 2001. By adding to taxes that would be generated from that tax base by the current 4.70 millage rate the expenses that have been transferred from ad valorem taxes to special assessments (apparently contrary to appeals-court and Florida Supreme Court rulings), we see a potential tax and assessment increase in real terms of over 110 percent unless the millage rate is reduced and/or special assessments are returned to ad valorem funding.

We see absolutely no justification for taxpayers to be paying 110 percent more – in real (adjusted for inflation) terms – than they were five years ago. Every year the Property Appraiser calculates and advises the Town of a “roll-back” millage rate. That is the rate at which -- given the increased tax base -- the Town would collect as much in ad valorem taxes as they did the previous year. And every year the Town quietly announces that rate, in passing, at a commission meeting, and then ignores it. Given that last year’s combined burden of taxes and special assessments was already 80 percent higher than four years previously, we believe it is past time to call a halt to further “automatic” de facto tax hikes levied by simply keeping the same millage rate.

Instead, we propose that serious consideration be given to the roll-back rate this year. The Commission should adopt a firm policy under which that roll-back rate could only be exceeded to make allowance for net new construction and inflation. Exceptions might also be made IF they could be shown to be necessary in order to return expenses now funded by special assessments to the ad-valorem budget, where many believe they rightly belong, and where courts have ruled expenses like EMS personnel and equipment expenses MUST be funded.

But we must note in that regard that the millage rate was raised by 0.85 mills in 2001 for the express purpose of funding EMS costs formerly funded by special assessment. Based on the latest upsurge in taxable property values, that 0.85 mills will generate \$1.827 million in tax revenues next year. But currently only \$927,000 in ad valorem tax revenues is being spent on EMS because the predominantly EMS cost of BSO’s ALS Engine 36 is being funded by the \$260 special “fire” assessment, in apparent defiance of the 2002 Florida Supreme Court ruling. Funding an additional \$900,000 in EMS costs from the ad valorem budget would not, therefore, justify ANY further increase in millage above that already dedicated to fund EMS expenses back in 2001.

Commissioners, given the huge increase in tax assessments over the past four years and the further 24 percent surge in taxable property values this year, a reduction of only 3 percent in the millage rate would be more of an insult than a relief to overburdened taxpayers. After a mere 3 percent millage rate cut to 4.55, LBTS taxpayers will STILL pay \$9.78 million in ad valorem taxes for 2006 -- more than twice the \$4.5 million figure for 2001 and 20 percent more (nearly 17 % in real, inflation adjusted terms) than they did last year. What, moreover, is the benefit of voting to “insure that the fire assessment rate is not increased” if that assessment is paying for unnecessary support from BSO, and if it can be shown not only to violate a supreme court decision, but also to be highly inequitable to lower-income taxpayers and small businesses? CANCEL that special assessment!

It’s time to share the wealth, Commissioners. It’s long past time to lower the millage rate significantly and to eliminate or sharply reduce and restructure illegal and/or inequitable special assessments.