



City of Eustis

P.O. Drawer 68 • Eustis, Florida 32727-0068 • (352) 483-5430

TO: EUSTIS CITY COMMISSION
FROM: TOM CARRINO, CITY MANAGER
DATE: SEPTEMBER 21, 2023
RE: RESOLUTION NUMBER 23-77: FINAL MILLAGE RATE FOR THE FISCAL YEAR 2023-2024

Introduction

Resolution Number 23-77 establishes the FINAL millage rate for FY 2023-2024 as **7.5810** mills.

Recommended Action

Staff recommends approval of Resolution Number 23-77.

Background

Florida State Statutes require each taxing authority to set a millage rate annually for property taxation following required public hearings. The City Commission set the proposed rate of 7.5810 mills at the meeting of the Budget Workshop held on July 20th, 2023. The Property Appraiser used that information to prepare TRIM notices distributed on August 18th, 2023.

The current millage rate of 7.5810 has been consistent over the past ten years.

Since last year, the adjusted tax roll (before new construction and annexation) increased by \$25,004,090, from \$1,347,838,047 to \$1,449,445,620. This year's total tax value of \$11,367,297 represents an increase of 9.3%.

Based on that valuation, the Commission may consider any of the following options in setting a millage rate for the 2022-2023 Fiscal Year:

1. The Current Millage Rate of 7.5810 mills. This rate would generate revenues sufficient to counter annual increases in normal city operating costs and allow for continuing current service levels. This rate can be approved with a two-thirds vote of the Commission (at least four commissioners) and would be advertised as a tax increase. This proposed millage rate is greater than the Roll-Back Rate representing an increase of 9.3%.
2. The Roll-Back Rate of 7.0158 mills. This rate approximates prior year tax revenues less allowances for new construction, additions, deletions, annexations, and improvements. This rate can be approved with a majority vote of the Commission (at least three commissioners) and would not be advertised as a tax increase.
3. Some other millage rates are between 7.0158 and 7.5810. Any rate over the Roll-Back rate would be advertised as a tax as a tax increase. The proposed rate of 7.5810 represents an increase of 9.3% and requires a two-thirds vote of the Commission.
4. A millage rate over 7.5810 to the maximum allowed 8.0600 would require a two-thirds vote. However, there are other viable options due to the re-issuance of TRIM notices.

Staff recommends setting the Fiscal Year 2023-2024 rate at the current rate of 7.5810 mills to support the revenue assumptions of the proposed budget. State Law allows for the rate reduction during either or both public hearings in September. An increase to the proposed rate at the first hearing, per Florida Statutes 200.065, requires first-class notice to all taxpayers of the City since TRIM notices have already been mailed. This would endanger the City's ability to adopt the final millage and budget in time to meet the State-mandated deadlines in September. This could result in the forfeiture of all Ad-Valorem revenue.

The City's share of a home assessed with a taxable value of \$200,000 with homestead exemptions of \$50,000 in Eustis would be annual taxes of \$1,137, or about \$3.12 per day, for services provided by Police, Fire, Library, Parks & Recreation, Finance, Administration, Development Services, Human Resources, and Public Works departments. The Roll-Back Rate of 7.0158 mills would an annual Eustis tax of \$1,052 or about \$2.88 per day. The annual difference between the proposed millage and the Roll-Back rate is \$85, which equates to a savings of \$7.08 monthly or \$0.23 daily.

While the City of Eustis has the highest stand-alone millage rate in the County, we utilize what is defined as the **Functional Millage Rate**. The Functional rate adds in the transfers from the enterprise funds to the general fund as well as the Fire assessment fees. As of the writing for this report, we have information from Leesburg, Mount Dora and Tavares as follows:

Functional Millage Rate
Fiscal Year September 30, 2023-24
Millage Rate Comparison Northern Area Cities with One Billion in Property Values
Include Millage Rate for Transfer and Fire Assessment

Taxing Authority	2022 Taxable Value as Reported October 1	Taxable Value Per 1,000	Rank Lowest to Highest Taxable Value	Millage Rate	Rank Lowest to Highest Millage Rate	Transfer to the General Fund	Millage Rate Needed to accommodate Transfer to the General Fund	Fire Assessment Fees	Millage Value of Fire Assessment	Total Functional Millage	Rank Lowest to Highest Functional Millage Rate
Leesburg	2,503,590,902	2,503,591	4	3.4752	1	11,511,497	4.5980	2,929,680	1.1702	9.2434	2
Eustis	1,495,547,405	1,495,547	3	7.5810	4	2,300,000	1.5379	-	-	9.1189	1
Mount Dora	1,801,717,863	1,801,718	2	6.1000	2	4,194,250	2.3279	2,054,593	1.1404	9.5683	3
Tavares	1,489,265,550	1,489,266	1	6.7778	3	3,276,404	2.2000	1,940,407	1.3029	10.2807	4

The City of Eustis has traditionally tried to be transparent with property taxes. As such, Eustis has limited transfers from our Enterprise Fund to the General Fund and Eustis does not charge a Fire Assessment Fee. When functional millage is considered, our millage rate is the lowest of the major cities in the north end of the county. The City has maintained lower transfers which help keep rates low for our utility customers, and we include the cost of fire service within our millage rate.

The Proposed Final Budget that is presented for September 21, 2023 has been prepared with ad-valorem revenue estimates based on a current millage rate of 7.5810.

State Law requires two public hearings on the millage rate and budget. The first public hearing was on September 7, 2023, and the second was held on September 21st, 2023. The new fiscal year begins October 1st, 2024.

On September 7, 2023, the City Commission approved Resolution Number 23-75 establishing the tentative millage rate at 7.5810.

Alternatives

1. Set the FINAL millage rate at the current rate of **7.5810** mills.
2. Set the FINAL millage rate at the Roll-Back rate of **7.0158** mills.
3. Set the FINAL millage rate at another rate between **7.0158** and **7.5810**.

Discussion of Alternatives

1. Sets the FINAL millage rate at 7.5810 mils.
 - a. Advantages:
 - i. Provides more recurring revenues and replaces lost revenues resulting from previous declines in property values.
 - ii. Provides a better opportunity to balance revenues and expenditures for the upcoming fiscal year.
 - iii. Requires only a minimal increase in the average property owner's taxes.
 - iv. This rate is the basis of the proposed Fiscal Year 2023-2024 budget.
 - b. Disadvantages:
 - i. Provides higher property taxes than the Roll-Back rate of 7.0158 and would be advertised by law as a 9.3% tax increase.
2. Sets the FINAL millage rate at the Roll-Back rate of 7.0158 mils.
 - a. Advantages:
 - i. Could hold property taxes at approximately the same amount as the prior year.
 - ii. It would not need to be advertised as a tax increase.
 - b. Disadvantages
 - i. The rate would generate significantly less tax revenue for the city (approximately \$805,112 less than the current millage rate).
 - ii. The rate would require the use of fund balance to balance the General Fund budget. The current net increase in fund balance is \$431,948. Going to the Roll-Back rate would reduce the revenue resulting in a current year deficit of \$373,164 (\$431,948 - \$805,112)
 - iii. The rate would require expenditure reductions to balance the current budget.
 - iv. The rate could result in a reduction in the City's current levels of service.
3. Sets the FINAL millage rate at some other rate between the Roll-Back rate of 7.0158 and the current millage of 7.5810.
 - a. Advantages:
 - i. If the rate selected is less than the current rate of 7.5810 mils, it could reduce the property taxpayer depending on the rate selected.
 - b. Disadvantages:
 - i. If the rate selected is less than the current rate of 7.5810 mils, it would reduce the City's tax revenue, potentially requiring fund balance and/or significant expenditure reductions. It could result in a reduction in the City's current levels of service. Each .1000 millage reduction equates to \$142,447.

Budget and Staff Impact

Staff prepared the Fiscal Year 2023-2024 budget using the current millage rate of 7.5810, resulting in an estimated increase in property taxes of \$1,153,958 compared to the Fiscal Year 2022-23 proposed tax estimates. If the millage rate is set lower than the 7.5810 proposed, it may require a reduction in reserves or a reduction in proposed General Fund expenditures to balance the budget.

Prepared By:

Nailya Harnisch, Deputy Finance Director

Reviewed By:

Mike Sheppard, Finance Director