

Honorable Peter Nehr
State Representative District 48
Florida House of Representatives
Suite 1003, The Capital
Tallahassee, Florida 32399-1300

Representative Nehr:

We have reviewed the letter from Chuck Hungerford, Senior Legislative Analyst for the Florida Legislative Committee on Intergovernmental Relations (LCIR).

We appreciate the efforts of your staff in their review and comments on our proposal regarding the incorporation of the Town of Palm Harbor. We take this opportunity to respond to the points outlined in the letter from Mr. Hungerford to you in order to provide you the information you need to make a cogent argument to staff and Legislators that this bill **to ALLOW THE CITIZENS OF PALM HARBOR THE RIGHT TO VOTE on whether or not to Incorporate** MUST be placed on the upcoming LCIR committee meeting, pass Committee, and voted on by the Full House. It is our hope that we can alleviate the perceived deficiencies Mr. Hungerford has graciously outlined to you in his analysis. Our response is lengthy on the first point, but needs to be so in order to point out the deficiencies in his analysis.

1. Estimated 2008-09 expenditures projected for Palm Harbor (\$40,005,199) is less than 20 percent of the "average" 2004-05 reported expenditures (\$215,181,089) for 10 comparison municipalities of similar size to Palm Harbor.

Response: The Legislative Committee on Intergovernmental Relations (LCIR) has historically utilized for comparison the average total revenues and total expenditures of 10 Florida municipalities with a population of similar size to the proposed incorporation area. The LCIR does not claim this general comparison which only uses the population of the municipality as the selection criteria is a statistically valid approach. Their approach makes no attempt to weight the findings or exclude extreme variables that could occur at either end of the spectrum and can cause the obtained average to be unrepresentative of the comparison municipalities. Utilizing the average as currently obtained to extrapolate any findings for comparison with a proposed incorporation area should be done with extreme caution.

The methodology currently used also does not take into account any unique or substantial differences between the comparison municipalities and may, especially for larger population evaluations, be a fundamentally flawed approach. For example, the City of Lakeland, which is one of the comparison municipalities, operates its own electric utility company which generated \$340,529,940 in revenues and \$312,155,681 in expenditures during the local fiscal year ending 9/30/2000. Neither Palm Harbor nor any of the other municipalities used for comparison operate an electric utility.

A more statistically valid approach would be to adjust the revenues and expenditures of the comparison municipalities to more closely reflect the revenues that the proposed incorporation area would receive and the services it would provide. This can easily be accomplished and in the following comparison a

more statistically valid approach is accomplished utilizing the data already provided in the Review of Palm Harbor Incorporation Study and Proposed Charter performed by the LCIR dated March 27, 2008.

This approach would only compare and include revenue and expenditures of those Enterprise Departments that the proposed incorporation area would actually operate. For example, in the proposed incorporation area there are no Enterprise Operations that would be operated by the Town of Palm Harbor. *As a result the Enterprise totals should be removed from any totals used for comparison.*

Another observation was that overall, budget projection for the Town of Palm Harbor significantly underestimated the amount of revenues that would be collected by the municipality or utilized for municipal type services. This can partially be explained by the “Total Intergovernmental Revenues” category which includes Grants and Payments in Lieu of Taxes (PILT) which was not included in the Town of Palm Harbor budget. An estimate for these revenue sources should either be added to the budget for the proposed incorporation area or removed from the totals of comparison municipalities. We decided to remove it from the comparison municipalities for a more valid evaluation.

| Strata | Municipality | 2005 Pop. Est. | Government | IntrGov | Gov - IntrGov | Enterprise | Revenues |
|--------|---------------------|----------------|--------------------|-------------------|-------------------|-------------------|--------------------|
| | Palm Harbor* | 96,314 | 55,475,576 | 0 | 55,475,576 | 0 | 55,475,576 |
| 1 | Plantation | 85,349 | 79,077,985 | 14,989,630 | 64,088,355 | 24,071,120 | 103,149,105 |
| 1 | Deltona | 86,540 | 49,082,996 | 16,144,397 | 32,938,599 | 15,947,910 | 65,030,906 |
| 2 | Sunrise | 89,633 | 100,583,264 | 11,100,519 | 89,482,745 | 80,103,127 | 180,686,391 |
| 2 | Lakeland | 93,428 | 93,273,917 | 25,981,289 | 67,292,628 | 402,514,845 | 495,788,762 |
| 5 | Miami Beach | 93,721 | 241,540,896 | 50,405,878 | 191,135,018 | 120,727,724 | 362,268,620 |
| 3 | Pompano Beach | 101,128 | 126,750,879 | 17,384,479 | 109,366,400 | 46,711,883 | 173,462,762 |
| 1 | Palm Bay | 101,793 | 66,654,708 | 18,324,828 | 48,329,880 | 25,389,295 | 92,044,003 |
| 4 | West Palm Beach | 105,068 | 165,776,779 | 31,368,070 | 134,408,709 | 65,723,432 | 231,500,211 |
| 3 | Clearwater | 110,469 | 139,050,236 | 26,615,548 | 112,434,688 | 131,150,562 | 270,200,798 |
| 2 | Miramar | 111,705 | 99,095,030 | 23,181,454 | 75,913,576 | 24,751,261 | 123,846,291 |
| | AVERAGE | 97,883 | 116,088,669 | 23,549,609 | 92,539,060 | 93,709,116 | 209,797,785 |

* Revised Palm Harbor revenues include the East Lake and Palm Harbor fire district & PH Community Svcs District

| Stata | Minimum | Maximum | Average | Count |
|-------|-------------|-------------|-------------|-------|
| 1 | 0 | 66,000,000 | 48,452,278 | 3 |
| 2 | 66,000,001 | 99,000,000 | 77,562,983 | 3 |
| 3 | 99,000,001 | 132,000,000 | 82,698,161 | 2 |
| 4 | 99,000,001 | 165,000,000 | 134,408,709 | 1 |
| 5 | 165,000,001 | 198,000,000 | 191,135,018 | 1 |

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In addition, a statistically valid evaluation should include an attempt to at least stratify the revenue totals of the municipalities used for comparison. This would identify those municipalities that could adversely affect an average or other measurement used for comparison. For example, both Miami Beach and Palm Beach fall into their own strata. In fact the four (4) municipalities that are in the highest strata (3, 4 & 5) are all Beach Communities and when compared to a Non-Beach Community could produce unrealistic revenue and expenditure expectations.

The majority of the municipalities used for comparison fall into the 1st and 2nd strata. The average revenues (excludes Enterprise & Intergovernmental Revenues) for the three municipalities in strata 1 is

\$48,452,278 and the average revenues for the three municipalities in strata 2 is \$77,562,983. None of the six (6) municipalities in strata 1 & 2 are beach communities and would collectively provide a better comparison to the proposed Town of Palm Harbor. The average revenues (excludes Enterprise & Intergovernmental Revenues) for the six non-beach communities is \$63,007,631. Utilizing this average would provide a comparison with greater validity.

In summary, the estimated expenditures projected for Palm Harbor would be considerably less than the other ten (10) municipalities analyzed for comparison in the study. This is further supported by the spreadsheet attached to this letter. As you can see by Attachment A (Expenditures), the Palm Harbor Coalition compared services based on Mr. Hungerford's analysis and data. Our analysis concludes what we have been promoting all along, that Palm Harbor would be "City Light" which, when translated, would not directly supply similar services as those stated in the other municipalities, because these services are already provided by the County, taxed and provided for separately (i. e. Fire Districts), or otherwise privately provided. Especially note the following:

- Palm Harbor's lack of tourism and beaches
- Palm Harbor's proposed services (6 services out of 29 outlined and included in most of the compared municipalities)
- Palm Harbor's lack of municipal utility services
- Palm Harbor's continuation of privately paid services
- Palm Harbor would enter into agreements for services provided by the county

No mention was made by any staff analysis that our projected expenditures were flawed, miscalculated, or lacking in any way.

Regarding the **revenues** to meet those expenditures, in a Memorandum to Linda Nelson from Adam Shamy, dated February 25, 2008, the Florida Office of Economic and Demographic Research stated that ***"With regard to revenues, we found the submitted estimate to be adequate and we have no reservation with the information submitted"***.

2. Palm Harbor can support costs associated with a municipality having a population of 96,314 by greater utilization of its authorized revenue sources (e.g., ad valorem, franchise fees, assessments...etc.) than proposed in the feasibility study.

Response: We have purposely opted not to include proposed revenues for franchise fees, utility service taxes and communications services taxes. They are not currently necessary to operate our Town, and we explicitly promised you that if you promoted our Bill through the House we would ***NOT NEED NEW TAXES***. If the State requests an *incorporated* Town of Palm Harbor to direct these revenue streams into the Town budget, then Palm Harbor may exercise its authority to do so. However, as stated in our first argument regarding revenues, and supported by the Florida Office of Economic and Demographic Research, ***"..we found the submitted estimate to be adequate..."***.

3. Palm Harbor proposes to contract for law enforcement services with the Pinellas County Sheriff and other services with Pinellas County government without assurances that such services will be provided at the level and for the amount specified in the budget.

Response: Palm Harbor Coalition has obtained figures from the Pinellas County Sheriff with supported services, we did obtain a proposed pricing structure, and the figures included in our Feasibility Study represent a worst case estimate of providing services at a current level. Pinellas County Sheriff's Office will not commit to a Letter of Intent to enter into an agreement with Palm Harbor *while we are still unincorporated*. In addition, this Office was not the only Law Enforcement solution considered; the Palm Harbor Coalition, in good faith, has met with other Town Police departments in regards to pricing and services provided. Finally, a Contract would be secured within a desirable time frame prior to the transfer of revenue and will not exceed the allocated projected expenditures in our proposed budget.

4. The Department of Revenue's Office of Tax Research estimates that Pinellas County government and the eligible municipalities within the county would receive approximately \$9,000,000 less in 2007-08 distributions of the discretionary infrastructure surtax, "Penny for Pinellas" and \$8,000,000 less in distributions of other state shared revenue programs if Palm Harbor had incorporated in 2007.

And

5. While the Palm Harbor proposed charter entitles Palm Harbor to participate in these revenue programs, such a reduction in anticipated revenues may create irreparable budget shortfalls for the county and existing municipal governments.

Response: The impact of the Incorporation of the Town of Palm Harbor on the other municipalities and the County was clearly addressed in the Palm Harbor Incorporation Feasibility Study. The decrease in Municipal Revenue Sharing would range from a mere \$8 for Belleair Shore to \$56,417 for St. Petersburg. The decreased revenues from ½ Cent Sales Tax distributions on Pinellas municipalities would range from only \$167 for Belleair Shore to \$597,046 for St. Petersburg. The decrease of the 1% Discretionary Surtax would be a range from \$305 for Belleair Shore to \$1,091,601 for St. Petersburg. The total decreased revenues for St. Petersburg would represent less than 2/10ths of 1% of its overall budget. There would be the same minimal impact on the other municipalities in Pinellas.

Moreover, the *County portion* that it receives from the Local ½ Cent Sales Tax and 1% Discretionary Surtax should actually increase because it is a population based formula that distributes the county portion based on 2/3's of the incorporated area population distribution. While the county may receive less of the revenues it receives on behalf of the unincorporated population, this would be revenues from our tax dollars that is collected as sales tax during purchases by the local community and would be returned directly to Palm Harbor instead of the County.

The \$9MM in 2007-2008 infrastructure surtax, or Penny for Pinellas funds, would be allocated to *OUR* Town, to *OUR* roads, to *OUR* sidewalks (or lack thereof), to *OUR* Community Leisure Services! This is **NOT** \$ lost to the County, but merely reapportioned directly to the taxpayers who sent it to the State. These are *OUR* tax \$; the central issue is that we want the Citizens to consider Incorporation because we

feel as a Local Government we can more effectively, and more judiciously apply the tax \$ the County collects on our behalf, yet spends on its own infrastructure and in other portions of the County. Peter, this effort to Incorporate Palm Harbor was born from the frustration we have with our County Government and its allocation of Palm Harbor tax revenues. There is no argument that we are a Donor Community to Pinellas County – we get far less back than we put in. Incorporation, as we propose it (Municipal Light – subcontracting most municipal services) will mean LESS GOVERNMENT, MORE EFFICIENT GOVERNMENT, and BETTER REPRESENTATION FOR THE TOWN CITIZENS. This is a Republican goal at its core.

6. Over the course of the next several years, Pinellas County government, as with all county and municipal governments, will be reassessing budget priorities, revenue options, and alternative service deliver[y] arrangements in response to changes in property tax laws. This process may further impact the viability of the creation of a new municipality at this time.

Response: If a further reduction in revenues, either from Property Taxes or Sales Taxes, were to occur, Palm Harbor would be in a better position to absorb the loss than existing cities with staff and considerable infrastructure. No lay-offs would occur since we have no employees yet. We would not have to reduce fixed overhead expenditures because we have none yet. Our proposed budget has ample reserves to continue to provide for services at the present level, placing us in an enviable position with regard to other municipalities. Mr. Hungerford's argument that a change in tax laws might impact the viability of the creation of a new municipality is purely subjective and speculative. We feel that a reduction in taxes collected by the County will impact us, an unincorporated area, far more than were we a municipality – the County will cut our services first.

Representative Nehr, in closing, the Palm Harbor Coalition stands strongly behind the following:

- We are a Donor Community – we give more taxes back to Pinellas County than we directly receive back to our community
- We can more effectively, efficiently, and passionately govern ourselves than the County can
- Our submitted revenues and expenditures accurately predict the costs of operating the Town of Palm Harbor
- You, as our elected Representative, must insist that The Chair of the LCIR Committee place HB 1359 on the next agenda. Also, our response to Mr. Hungerford must be presented.
- We are not asking the Legislature to create a new municipality. Rather, we are asking the Legislature to **GIVE THE CITIZENS OF NORH PINELLAS UNINCORPORATED AREAS the right to VOTE on incorporation.** If given the right to a referendum, we will insure that the debate leading up to it has all the facts presented fairly, and that those opposed to this idea have an equal right to debate the proposal.

The Coalition is prepared to counter any and all objections or legal limitations that would postpone the vote to Incorporate. The Coalition is committed to complete transparency in its disclosures and

partnerships. We look forward to the opportunity to continue our relationship with you and your offices to finalize any and all objections the state might have with the opportunity to vote. Furthermore, we agree to make all changes to the Charter recommended by the LCIR staff, and immediately address any proposed arguments to the Feasibility Study. We strongly feel that this is the RIGHT time to put Incorporation to a vote for our citizens, and know that you do as well. Please, back us on this issue and push this through to the full House for a vote.

Respectfully,

Jim Kleyman, Spokesperson
Palm Harbor Coalition