SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 1218

SPONSOR: Senator Silver

SUBJECT: Municipal Revenues

DATE: April 16, 1999 REVISED: 4/19/99

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Cooper	Yeatman	CA	Favorable
2.	Fournier	Wood	FR	Fav/1 amendment
3.				
4.				
5.				

I. Summary:

This bill allows the city of Miami to impose a surcharge of up to 20 percent on fees for parking at facilities open to the public within the municipality.

This bill creates an unspecified section of the Florida Statutes.

II. Present Situation:

The Local Government Financial Emergencies Act

Chapter 218, part V, F.S., is known as the Local Government Financial Emergencies Act. The purpose of this Act is to preserve and protect the fiscal solvency of local governments; to assist local governments in meeting their financial obligations and providing their essential services without interruption; and to assist local governments through the improvements of local financial management procedures.

Section 218.503 (1), F.S., states that a local government shall be in a state of a financial emergency when any of the following conditions occur:

- there has been a failure, within the same fiscal year, to pay short-term loans from banks or to make bond debt service payments when due;
- there has been a failure to transfer at the appropriate time, due to lack of funds, taxes withheld on the income of employees or employer and employee contributions for Federal Social Security or any pension or retirement benefits owed to former employees;
- there has been a failure to pay for one pay period, due to lack of funds, wages and salaries owed to employees or retirement benefits owed to former employees;
- there has been an unreserved to total fund balance or retained earnings deficit for which sufficient resources of the local government are not available to cover the deficit for 2 successive years; or

- there has been noncompliance with the local government retirement system as related to actuarial conditions provided by law.

A local government must notify the Governor and Joint Legislative Auditing Committee when one or more of the previous conditions has occurred or will occur. Additionally, any state agency may notify the Governor and Legislative Auditing Committee if any of the previous conditions has occurred or will occur.

The Governor has the authority in s. 218.503, F.S., to implement measures to resolve the financial emergency. Such measures include:

- requiring approval of the local government's budget by the Governor;
- authorizing a loan;
- prohibiting further debt;
- reviewing records and reports;
- providing technical assistance and consulting with the local officials regarding steps to bring the books of account, accounting systems, financial procedures, and reports into compliance with state requirements;
- establishing an oversight board; and
- requiring and approving a recovery plan.

Status Report on the City of Miami's Financial Emergency

Staff of the Joint Legislative Auditing Committee recently prepared a Status Report on the City of Miami's Financial Emergency. The following are excerpts from that report.

The City of Miami, one of the largest municipalities in the State of Florida, faced a $68 million deficit in the City's FY 1997 budget that was set to begin on October 1, 1996. Mr. Stierheim, interim City Manager, drafted the Strategic Financial Recovery Plan (November 15, 1996) that provided comments and recommendations on how the city's financial health could be restored and strengthened. He commented that Miami fell into a $68 million deficit over the past several years by:

> "consuming reserves; exhausting enterprise funds; consuming unrestricted funds; depending on one-time revenue sources; and finally by inappropriately consuming self insurance and pension bond revenues, all of which went to support general operating requirements."

His recommendations included increasing recurring revenues, specifically solid waste fees, and implementing cost containment measures. The city commission did not adopt any substantial recurring revenues at several meetings in November 1996.

On December 2, 1996, Edward Marquez, newly appointed City Manager, notified the Governor that the city was in a state of a financial emergency. The Governor responded by issuing Executive Order 96-391, creating a Financial Emergency Oversight Board to monitor the financial affairs of the city with respect to the financial emergency.

The order also required the board to prepare an Intergovernmental Cooperation Agreement (ICA) to be entered into by the state and the city commission on or before December 23, 1996. Major elements of the ICA include: a Financial Recovery Plan for FY 1997; Five Year Plans; Approval of the City's Budget and Spending; Contractual Obligations; Estimating Conference; Fiscal Sufficiency Advisory Board; Compliance with the ICA; and Duration of the ICA. The board met many times to discuss the elements required by the ICA, including the 1997 Financial Recovery Plan, Five Year Plans and Operating Budgets.

Subsequently, the board has approved budgets for Fiscal Years 1997 and 1998, and a preliminary Fiscal Year 1999 budget. The board has also approved the latest Five Year Plan (FY 1999 through 2003). Currently, the city is in compliance with the conditions of the ICA, which includes the financial recovery plan. The duration of the board will continue until the Governor has determined that the conditions specified in s. 218.504, F.S., have been satisfied.

As of October 31, 1998, the state has invested approximately $1,696,551 to insure that the oversight process in Miami is successful.

III. Effect of Proposed Changes:

Section 1 provides that a municipality with a population of 300,000 or more and that has within the two previous fiscal years been declared in a state of a financial emergency, pursuant to s. 218.503, F.S., may adopt, by a majority of its membership, an ordinance to impose a surcharge of up to 20 percent on the sale, lease, or rental of public parking facility space within the municipality. The surcharge is to be collected when the parking fee is collected.

The city of Miami is the only city that would currently be eligible to levy this surcharge.

The bill requires this authority to expire on July 1, 2009, and must be reviewed by the Legislature before that date.

Section 2 provides that the act takes effect July 1, 1999.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

If the surcharge were imposed at the 20 percent rate it would generate approximately $9.6 million annually for the City of Miami, with a first-year impact of $8.8 million. It would also generate $0.5 million in state sales tax.

B. Private Sector Impact:

If implemented, users of public parking facilities in jurisdictions adopting the surcharge will pay higher parking fees.

C. Government Sector Impact:

Jurisdictions adopting the surcharge will benefit from the parking fee surcharge.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

#1 by Fiscal Resource:
This amendment requires any city imposing the surcharge to roll back its millage rate to reduce ad valorem revenue by 80 percent of the parking surcharge revenue, and requires that law enforcement officers be called before any vehicle is towed from a central business district parking lot operated by an off street parking authority.