

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: SB 2018

SPONSOR: Senator Silver

SUBJECT: Determination of Financial Emergency

DATE: March 29, 2001 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Cooper	Yeatman	CA	Favorable
2.	_____	_____	GO	_____
3.	_____	_____	FT	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill authorizes municipalities that have been declared in a state of financial emergency to use proceeds from surcharges on rental of spaces at parking facilities to “facilitate economic growth by contributing to the development of public facilities.”

This bill amends section 218.503 of the Florida Statutes.

II. Present Situation:

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 is 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.

The City of Miami faced a \$68 million deficit in the city's FY 1997 budget. The 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, the 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; and Compliance with the ICA.

The ICA also specifies that the duration of the board is to extend for the period of three years after the city has produced two successive years of balanced operation, and none of the conditions exist that are set forth in s. 218.503(1), F.S. According to staff of the Joint Legislative Auditing Committee, Miami has satisfied these conditions for the past two years. Consequently, the board could be abolished as soon as the financial statements for FY 2001 are released and the Governor has determined that the conditions within s. 218.504 F.S., have been met. These conditions include:

- the local governmental entity has established and is operating an effective financial accounting and reporting system;
- the local government has corrected or eliminated the fiscal emergency conditions; and
- no new fiscal emergency conditions exist.

Surcharge on Public Parking Facilities

Chapter 1999-251, L.O.F., amended s. 218.503, F.S., to provide Miami with an additional revenue source. Specifically, this provision 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.

Subsection (5)(b) specifies that the proceeds of the surcharge may be used for the following purposes:

- No less than 60 percent and no more than 80 percent of the surcharge proceeds must be used by the governing authority to reduce its ad valorem tax millage rate or to reduce or eliminate non-ad valorem assessments; and
- A portion of the balance of the surcharge proceeds must be used by the governing authority to increase its budget reserves; however, the governing authority must not reduce the amount it allocates for budget reserves from other sources below the amount allocated for reserves in the fiscal year prior to the year in which the surcharge is initially imposed. When a 15-percent budget reserve is achieved, based on the average gross revenue for the most recent 3 prior fiscal years, the remaining proceeds must be used for the payment of annual debt service related to outstanding obligations backed or secured by a covenant to budget and appropriate from non-ad valorem revenues.

The city of Miami is the only city that is currently eligible to levy this surcharge. The authority to levy this surcharge expires on July 1, 2006.

III. Effect of Proposed Changes:

Section 1 amends s. 218.503(5)(b)1., F.S., to allow municipalities that have been declared in a state of financial emergency that impose the surcharge on rental of spaces at parking facilities, to use the surcharge proceeds to "facilitate economic growth by contributing to the development of public facilities."

Section 2 provides that the act will take effect on July 1, 2001.

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:

This bill will allow the City of Miami more flexibility in using the proceeds from the surcharge on rental of spaces at parking facilities.

In local government fiscal year 2000, the surcharge generated \$11 million. For fiscal years 2001, 2002, and 2003, the city of Miami estimates the surcharge will generate \$13 million annually.

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

House Bills 467 and 1367 propose to extend the repeal date of the authority to levy the surcharge.

VIII. Amendments:

None.