

ANNEXATION IMPACTS ON TAXES/FEEES
April 21, 2010

INTRODUCTION

On occasion, Audit has assisted the Planning & Development Services (PDS) in determining the financial impact of annexation on various homeowners. Recently, PDS sent notifications to annex to over forty properties that have in the past signed an agreement to annex (ATA), most likely to begin receiving a City of Clearwater utility service (mostly, sewer). Consequently, PDS requested a generic analysis explaining the tax and fee financial impacts of annexation.

BACKGROUND

Within the past fifteen years, over 400 properties within the unincorporated parts of Pinellas County, but within the Clearwater utility servicing district, have signed an agreement to annex when requesting and eventually connecting to a City utility service, in nearly all instances, sewer service. This ATA's are legal binding agreements in which the City recently began to more actively pursue that will result in numerous upcoming annexations (approximately 50 in the latter half of 2010). As property owners receive the notifications many have inquired as to the financial impact on their taxes and fees.

OBSERVATIONS (FINANCIAL IMPACT ON ANNEXATION)

Properties annexing into Clearwater will encounter increases or decreases to the following various taxes and fees:

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| 1. Property Taxes | 3. Communications Services Taxes |
| 2. Public Service (Utility) Taxes & Franchise Fees | 4. Utility Fees-water (potable, lawn, reclaimed), sewer, stormwater, solid waste (trash), & recycling |

The impacts will vary from property to property based on: (1) property value, (2) tax exemptions (homestead, widow, senior, etc), and (3) personal consumption habits on utilities (electricity, water, gas) and communications services (cell, home phone, cable, etc).

The following TABLE 1 provides the 2009 millage rates differences for an actual property in unincorporated Pinellas County:

TABLE 1, MILLAGE & TAX DIFFERENCES CITY OF CLW vs. UNINCORPORATED PINELLAS COUNTY (CTF)

TAX/FEE LEVY	CLW		COUNTY		DIFFERENCE	
	Millage	Taxes*	Millage	Taxes*	Millage	Taxes
Property Tax-2009						
1. County EMS	0.5832	\$120.40	0.5832	\$120.40	0.0000	\$0.00
County General Fund	4.8108	\$993.20	4.8108	\$993.20	0.0000	\$0.00
County Health Dept	0.0622	\$12.84	0.0622	\$12.84	0.0000	\$0.00
CTF Fire		\$0.00	1.8628	\$384.58	1.8628	\$384.58
COUNTY TOTAL	5.4562	\$1,126.45	7.3190	\$1,511.03	1.8628	\$384.58
2. School - State Law	5.3480	\$1,237.81	5.3480	\$1,237.81	0.0000	\$0.00
3. School - Local Board	2.9980	\$693.90	2.9980	\$693.90	0.0000	\$0.00
SCHOOL TOTAL	8.3460	\$1,931.71	8.3460	\$1,931.71	0.0000	\$0.00
4. CLEARWATER	5.1550	\$1,064.27		\$0.00	(5.1550)	(\$1,064.27)
MSTU		\$0.00	2.0857	\$430.60	2.0857	\$430.60
Library Service		\$0.00	0.4437	\$91.60	0.4437	\$91.60
5. SW Florida Water Mgt	0.3866	\$79.81	0.3866	\$79.81	0.0000	\$0.00
6. Pinellas Anclote River Basin	0.3200	\$66.06	0.3200	\$66.06	0.0000	\$0.00
7. Pinellas County Plan Council	0.0125	\$2.58	0.0125	\$2.58	0.0000	\$0.00
8. Juvenile Welfare Board	0.7915	\$163.41	0.7915	\$163.41	0.0000	\$0.00
9. Suncoast Transit Authority	0.5601	\$115.63	0.5601	\$115.63	0.0000	\$0.00

10. Street Light Assessment				\$65.20	0.0000	\$65.20
TOTALS:	21.0279	\$4,549.92	20.2651	\$4,457.64	(0.7628)	(\$92.28)

*Taxes based on the 2009 value per Pinellas County Property Appraiser.

NOTES on Table 1:

- Above property owner would have paid \$92.28 (\$88.59 with 4% discount for paying prior to Nov 30, 2009) more in property taxes to the City of Clearwater in 2009 than to Pinellas County, based on a taxable value of \$206,453 after the \$50,000 in exemptions for all taxing authorities, except schools (\$234,453, \$25K exemption).
- City of Clearwater 2009 Millage rate: 5.1550. County 2009 Millage rate (in lieu of City): Fire, MSTU, Library Service: 1.8628+2.0857+0.4437 = 4.3922, approximately 15% (0.7628) less than the City of CLW.
- Property owners qualifying for the additional \$25,000 Senior Homestead Exemption would pay less total property taxes in Clearwater than in unincorporated Pinellas County because the exemption applies to a larger portion of the CLW total millage rate, 5.1550, (24%) versus the unincorp millage rate-MSTU, 2.0857 (10%).

The following TABLE 2 provides the 2009 current City vs. County tax and fee differences for the listed services:

TABLE 2, TAX & FEE RATE DIFFERENCES CITY OF CLW vs. PINELLAS COUNTY (CTF)

1) Public Service Tax (PST):	CLW	COUNTY
Electricity	10.00%	0.00%
Water	10.00%	0.00%
Natural Gas	10.00%	0.00%
Propane (LP)	10.00%	0.00%
Fuel Oil	\$0.04/gallon	0.00%
2) Franchise Fee:		
Electricity	6.00%	0.00%
Natural Gas	6.00%	0.00%
3) Communications Services:		
Tax:		
Cable, phone, cellular, etc	5.12%	5.22%
4) Utilities (all monthly rates as of Oct 1, 2009):		
Water	10% Tax	25% surcharge for unincorp City water customer, 10% PST for CLW residents
Sewer		25% surcharge for unincorp City sewer customer
Lawn & Reclaimed Water	10% Tax	25% surcharge for unincorp City lawn water customer, 10% PST for CLW res
Solid Waste	\$23.68	Varies-ranges from \$20.00 to \$40.00/month depending on vendor utilized
Recycling	\$2.13	Not offered in all unincorp areas, 10% surcharge for unincorp City recycling custs
Stormwater	\$11.80	\$0.00

NOTES on Table 2:

- Amount of taxes/fees paid for above, except solid water, recycling, and stormwater will depend on the amounts of those services consumed by the individual household and are subject to annual rate increases.
- The biggest impacts are in the 10% public service (utility) tax levied by the City, but not Pinellas County as well as the monthly stormwater fee again levied by the City, but not Pinellas County.

The above translates into the following estimates for the property referenced in page 1:

1. PROPERTY TAXES	Increase	\$ 88.59	
2. PUBLIC SERVICE TAX	Increase	\$ 205.93	
3. COMM SERVICES TAX	Decrease	\$ 1.80	
4. OTHER UTILITIES	Increase	\$ 91.32	
Over-all Estimated Annual Increase		\$ 384.40	\$32.00/month

Various other properties reviewed in the area bounded by Nursery Rd, Keene Rd, Lakeview Rd, and Lake Ave will experience estimated increases for the above taxes and fees ranging from \$25.00 to \$35.00 per month depending on the variables listed above (property values, exemptions, personal consumption habits) as well as expected changes in decreasing property values and stable to increasing millage rates that taxing authorities are currently reviewing and will establish this summer.

CONCLUSION

Each property with an agreement to annex or any other property looking to voluntarily annex will realize a financial impact upon annexation. That impact will vary by property based on numerous variables referenced above. However, for many the impact will be a slight increase in their total taxes and fees (which will likely change as governments set millage rates for the 2011 budget year and beyond). Audit reminded PDS to contact audit for any additional questions, clarification, and review of a specific property.

Respectfully Submitted,

Robin I. Gómez

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