

## **M E M O R A N D U M**

**To:** Howard Tipton, Town Manager

**From:** Susan Smith, Finance Director  
Charlie Mopps, Acting Public Works Director

**Report date:** November 4, 2024

**Meeting date:** November 12, 2024

**Subject:** Ordinance 2024-13 Establishing a Townwide Canal Maintenance Taxing District encompassing all real property within the jurisdictional boundaries of the Town to be known as the Townwide Canal Maintenance District ("Canal District")

### **Recommended Action**

Following first reading, forward to the December 2, 2024 Regular Meeting for second reading and public hearing.

### **Background**

The Town Commission has previously determined that preserving navigability within the Town's canal system benefits all Town property owners, residents and visitors and that a Canal Navigation Maintenance Program ("the Program") should be pursued. The purpose of the Program is to further the Town's Commission's objective of developing an ongoing canal maintenance program that would provide a dedicated funding source (outside of the Town's general fund) to pay for the costs associated with initiating and operating such program. The Town's consultants, staff and legal counsel recommended the creation of dependent taxing districts that would fund the Program through the levy of ad valorem taxes and non-ad valorem ("NAV") assessments. At the October 21, 2024 and the November 12, 2024 Regular Workshops, the project team provided an update regarding the Program.

The Town's consultants developed the following initial methodology to fund the Program:

- a component of costs which is a General Benefit shared by all property owners throughout the Town and funded 100% through an ad valorem tax levy (shown as red canals) for the maintenance of the main, publicly utilized canal waterways that serve a large volume of vessels operating within the Town's waterway and canal system; and
- a component of costs which is a Specific Benefit allocable to only certain specially benefited property owners (100% funded using a NAV special benefit assessment, shown as blue canals) that will be served by the canal maintenance; and

- a component of costs which is allocable to both all properties within the Town and specially benefited properties (50% funded through an ad valorem tax levy and 50% using a NAV special benefit assessment, shown as green canals) because those particular canals and waterways serve both the general boating community at large and also certain specially benefiting private property owners.

The Town Manager and staff desire to show the ad valorem tax levy that is restricted to the Program separately from the General Fund operating millage on the tax bills, which is why a dependent district construct is being pursued. The use of a Town-wide dependent special district to fund the Program allows the Town to separate out funding sources (through mill rates and/or NAVs) on property owners' tax bills and levy different amounts on properties that benefit more or less from the amenity/improvement. If the Town did not want to show the mill rate separately on the tax bill, a dependent district would not be needed and the Town could tax all properties for canal maintenance costs within the operating budget. However, the Town Commission has previously determined that it does not believe that the general fund should assume the full cost for all canal maintenance because benefits levels vary greatly amongst Town properties.

Ordinance 2024-13 is being presented to establish a single, dependent special taxing district which encompasses all real property within the jurisdictional boundaries of the Town to be known as the Townwide Canal Maintenance District ("Canal District"), amending Chapter 92, *Parks, Public Beaches, and Public Beach Accesses*, of the Town Code.

Ordinance 2024-13 creates the Canal District by following the dependent special district adoption process requirements set forth in Chapter 189, Florida Statutes. Florida law outlines the required elements necessary to create a dependent special district and those statutory requirements are followed in enumerated Sections 92.70 through 92.78. The new Code Sections include provisions setting forth the purpose of the Town-wide Canal Maintenance District; lists of the powers, functions and duties of the special district; identification of the geographic boundaries of the special district as the entire Town; and the establishment of the legal powers and governance of the district.

Ordinance 2024-13 creates the Town-wide special district taxing construct but does not impose any sort of tax or non-ad valorem assessment on the Town's property owners. Ordinance 2024-13 is being advanced at this time (before the end of 2024) for two primary reasons. First, the creation of a dependent special district needs to occur before the Town can actually impose an ad valorem tax and/or non-ad valorem assessment on Town properties. Second, the Town Staff and consultants are recommending that the Town Commission adopt Ordinance 2024-13 before December 31, 2024 to provide the Town Commission with the maximum amount of flexibility from a timing perspective for the Commission to fund a canal maintenance program. If the Town Commission wants to consider the imposition of an ad valorem tax by the newly created district during the Fiscal Year 2025-26 tax year, the Town Commission must create the dependent district on or before December 31, 2024 to meet statutory deadlines.

This Ordinance 2024-13 creates the overall Town-wide Canal District, but it does not establish the six (6) groupings / Special Assessment Districts that were discussed at the Workshop. The establishment of those secondary, smaller districts that would be funded through NAVs would come later through six (6) separate Initial Assessment Resolutions to be presented to the Town Commission no later than March 3, 2025, in accordance with County deadline requirements.

If the two readings and adoption are completed in calendar year 2024, then the Town could begin collecting an ad valorem tax in the district starting with the property tax bill issued in November 2025 (assuming that the Town Commission adopts such a levy during the Town's millage hearing processes from July through September of 2025). If the Ordinance is not adopted until sometime in 2025, then collection of the tax could not begin any earlier than November 2026, unless the Town Commission included such program costs in the operating budget.

### **Next Steps**

If approved, Ordinance 2024-13 will be forwarded to the December 2, 2024 Regular Meeting for second reading and public hearing. In addition, a Resolution providing our Notice of Intent to Use the Uniform Method of Collection will also be brought to the December 2, 2024 meeting which allows the Town Commission to place future taxes or assessments on the tax bill if a levy to fund operations is desired by the Town Commission.

Failure to meet these deadlines could result in the postponement of the non-ad valorem assessments until FY2027 tax bills.

### **Staff Recommendation**

Following first reading, forward to the December 2, 2024 Regular Meeting for second reading and public hearing.

### **Attachments**

Ordinance 2024-13 (Available in Town Clerk's Office).