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"Municipal Revenue Sharing and Further Incorporations: Striking A Compromise"

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How Many Cities Should We Have In Dade County?

With the creation of Aventura and Pinecrest in the last year, Dade County now has 29 cities. There are currently also six other areas in various stages of becoming new cities in Dade County as seen in Figure One. On September 17th, the Dade County Board of Commissioners will be considering what to do about these six areas, more specifically, whether a vote on cityhood by the citizens living in each area will be allowed.

Figure 1-Status of Areas Considering Incorporation

Area	Action by P.A.B.	Action by B.C.
Aventura Beach	Approved	Approved
Doral	Approved	Contingent Approval*
E.Kendall	Approved	Not Necessary**
Miami Lakes	Approved	Approved
Palmetto Bay	Approved	Rejected
W.Kendall	Approved	Not Necessary**

P.A.B.- Metro-Dade Planning Advisory Board.
B.C.-Metro-Dade Boundaries Commission.

* Subject to existence of municipal revenue sharing program and a change in the boundaries from the original petition.
** Approval of B.C. not necessary.

There are some obvious choices for the consideration of the Commissioners at this point in time.

1. "<u>Close the gates</u>"-The Commission could simply stop at 29 cities and put an indefinite moratorium on the creation of all new cities in the future. Metro-Dade would continue to deliver "municipal services" in Unincorporated Dade County (UDC). Community Councils with delegated zoning

powers and the ability to advise the Commission would be fully implemented in the near future. Commissioners de la Portilla and Sorenson seem most committed to this overall approach. The emphasis would be on improving services and improving citizen access to government, not creating new cities.

2. "Carve Up the rest of the County once and for all"-The Commission could carve up the rest of UDC into 9 hypothetical cities of approximately 110,000 in size with a per capita tax value of about $26,500. Under this scenario developed for the Boundaries Commission by County Staff, each new city would be a little larger than Miami Beach at 93,681, with a per capita tax value close to that of North Miami Beach, $28,630. This would give Dade County a total of 38 cities very close to other similar sized counties in the U.S. "Municipal Services" or lower tier services like police, public works, waste management, zoning, code enforcement, etc. would all be delivered by the cities. That part of Dade County government currently delivering "municipal services" would be dismantled and Metro-Dade would focus exclusively on upper tier services like the courts, corrections, the seaport, the airport, water and sewer, public welfare, transportation, etc.

2a. Another version of the "Carve It Up" approach. Instead of 9 hypothetical new cities, the Commission could carve up the rest of UDC into 50 cities of about 20,000 or about the size of Aventura and Pinecrest. This would give Dade a total of 79 cities but make Dade the most balkanized metropolitan area in the U.S. for counties of about 2 million. As with the second alternative, Metro-Dade would get out of the "municipal services" business entirely. Commissioner Ferre has historically argued that Metro-Dade should focus only on upper tier services and leave lower tier services to cities, however, he has been silent on the question of how many new cities there should be or what their average size should be.

3. "Contingency Approach"-simultaneously allow new incorporations but reduce fiscal disparities between jurisdictions by adopting some form of Municipal Revenue Sharing (MRS). This approach is the most complicated, but in the long run, it allows accomodation of some important values. As Table One clearly shows, there are wide fiscal disparities between jurisdictions in Dade County. The average per capita assessed valuation for Dade County as a whole is $38,001 but new cities are considerably above this average with Key Biscayne at $199,780, Aventura at $134,021 and Pinecrest at $83,889. Other areas like UDC at $35,159, OpaLocka at $23,253 and Hialeah at $21,520 are well below it. Cities with low per capita assessed value simply have to raise tax rates to their maximum in order to provide minimal levels of service to their residents, while more affluent cities can have lower tax rates and still generate sufficient revenues for "municipal services".

The central argument of this approach is that recent incorporations dating back to 1991 and all but one of the pending incorporations (with the exception of W. Kendall) are/were for areas with well above average per capita assessed values (see Table One). If these areas are allowed to leave UDC, the per capita assessed value will drop still further to $30,948 in UDC, and this will make it harder to maintain current service levels without a tax increase or major cuts in services or both. It is estimated that if all six pending areas become cities, the County will loose $100m in tax base. Jurisdictions in Dade would indeed be "separate but unequal" in terms of their revenue raising capacity without some form of MRS if these proposed areas incorporate.

A potential solution to this dilemma was introduced earlier this year by Commissioner Ferguson and it has been championed tirelessly in the community by Attorney Gene Stearns. The municipal revenue sharing proposal is modelled somewhat after the successful municipal revenue sharing program in place in the Minneapolis-St.Paul area since 1975. The "Contingency" approach argues for passing an acceptable MRS Program and then moving ahead on pending and other future incorporations as rapidly as possible.

Cities and UDC Are Either All In It Together or They Will Compete With Each Other For An Uncertain Economic Future

Since there has only been limited public discussion this summer about further incorporations and only a beginning look at the design and feasibility of a municipal revenue sharing program, there is considerable doubt as to whether the County Commission can make intelligent choices about how to proceed in the next couple of months without further analysis and consensus building.

For example, research on metropolitan areas in the U.S. has shown that significant fiscal disparities between jurisdictions in a metropolitan area, especially between the central cities/older parts of the area and the more affluent suburbs, work to the long term disadvantage of the entire metropolitan area. As Secretary of U.S. Housing and Urban Development Cisneros recently wrote, some form of tax sharing (municipal revenue sharing) may be required in order to redistribute revenues to areas in need so that all the jurisdictions in the metropolitan area can compete effectively in a global information based economy.

More telling is that research has also indicated that those metropolitan areas with the widest fiscal disparities between jurisdictions have slower rates of overall economic growth. In contrast, where the fiscal disparities are less, economic growth is faster (Gregory Weiher, THE FRACTURED METROPOLIS: POLITICAL FRAGMENTATION AND METROPOLITAN SEGREGATION, State University of New York Press, 1991). In short, the implication for Dade County is that there are incentives for all parts of Dade County to work for the growth of the area as a whole. This line of reasoning translates into support for some kind of tax base sharing (municipal revenue sharing) to redistribute revenues on the basis of need.

<u>Thus, further incorporation of affluent areas without some form of MRS being adopted is very likely to work against the future economic growth of the entire area. If the Commission is going to allow further incorporations of affluent areas, then they simply must examine more seriously how to design an acceptable MRS program.</u>

There Are Different Ways To Design A Revenue Sharing Program

It will take more time to design an acceptable Program. Other successful Programs like Minneapolis-St.Paul, Montgomery County, Ohio, Hackensack-Meadowlands, New Jersey, and Charlottesville/Albemarle, Virginia all took considerable time to craft.

There are three basic alternatives that Dade County can use or some combination may emerge from subsequent analysis and discussion.

1. An Ad Valorem Municipal Property Tax of one to three mills. Under this option, a one to three mill property tax would come out of the ten mill cap of each municipality. Thus, using the ten mill cap on property tax, no city in Dade County could levy over seven mills (instead of the current ten). One to three mills would then be reserved for a municipal revenue sharing pool which would be distributed to cities and UDC based on need. Cities with below average per capita assessed value would get the most and those above the average would not receive anything. While the yield of this tax would be quite good, $18.8 million (1 mill) to $56.5 million (3 mills), the tax would fall the hardest on the more affluent cities. Political feasibility at this time appears to be quite low largely because many of the more affluent cities and the Dade League of Cities are on record opposing this type of Program. However, if the distribution formula was really based on need, as seen in Table One, low tax value cities like Miami, Hialeah, and UDC would receive substantial revenues, while the affluent suburbs would get nothing from the pool.

* Tax Increment Financing. This would be generated by taxing new growth in commerical, industrial, and residential property or some combination. The tax would be Countywide and would apply to only 30-40% of the changes in assessed valuation over time. Thus, growing areas and areas where values were going up the fastest would be taxed the most. The distribution would be to cities with tax bases 25% below the average per capita assessed value. Because it would take many years to build up the revenue sharing pool, the yield would be very low, about $5 million in the first few years. Thus, it would take many years before the Program would have a real re-distributive effect. For example, in Minneapolis/St. Paul, it took eight

years before the Program began to work as it was intended. On the other hand, a tax on future growth might be more politically acceptable to the voters than a straight Ad Valorem Municipal Tax but the tax would still have to fall under the ten mill cap for the County.

* Sales Tax. Levy an additional one half cent sales tax on all residents of Dade County and distribute it only to cities with below average per capita tax values. The yield would be excellent, $80 million, and if the distribution formula was based on need, a number of cities could really benefit from this approach. If the money were also earmarked for socially desirable purposes, the voters might be more willing to approve it in a referendum. The downside of this approach is that the sales tax is mildly regressive on citizens, but this may be countered by the fact that it has been estimated that tourists pay about a third of the sales tax in Dade County.

Table One shows how the different cities/UDC would benefit from these three types of Municipal Revenue Sharing Programs.

* Eight (8) jurisdictions would benefit under all three alternatives: Biscayne Park, El Portal, Hialeah, Homestead, North Miami, Opa Locka, Sweetwater, and West Miami. They will be the clear winners.

* Six (6) jurisdictions would benefit under only two of the three alternatives: Miami, Florida City, Hialeah Gardens, Miami Shores, North Miami Beach, and Unincorporated Dade County.

Table 1-Selected Characteristics of Areas in Dade County.

Jurisdiction	94 Pop.	Ass.Val.	Alt.A	Alt.B (loss)	Alt.C
Aventura	19,400	134,021		($2.5m)	
Bal Harbour	3,033	264,005		(760,692)	
Bay Harbor	4,724	56,233		(252,364)	
Biscayne Park	3,075	23,579	44,195	56,325	139,395
Coral Gables	40,813	110,449		(4.2m)	
El Portal	2,488	15,363	35,758	64,992	112,785
Florida City	4,552	28,564		61,824	206,349
Golden Bch.	820	258,572		(201,428)	
Hialeah	202,904	21,520	2.9m	4.1m	9.1m
Hialeah Gdns.	10,772	32,017		110,958	488,312
Homestead	22,067	22,530	317,154	426,190	1m
Indian Ck.	52	1.8 m		(89,940)	
Key Biscayne	8847	199,780		(1.7m)	
Medley	866	617,751		(508,224)	
Miami	365,557	30,650		4.2m	16.6m
Miami Bch.	93,681	61,283		(5.5m)	
Miami Shores	10,123	33,781		87,311	458,892
Miami Springs	13,343	38,679		(490,292)	
North Bay	5613	38,915		(207,510)	
North Miami	50,405	23,121	724,436	945,199	2.3m
North Miami B.	35,596	28,630		481,210	1.6m
OpaLocka	16,339	23,253	234,829	304,343	740,673
Pinecrest	19,740	83,889		(1.6m)	
South Miami	10,518	52,248		(522,070)	
Surfside	4,208	88,434		(353,524)	
Sweetwater	14,067	13,543	202,175	391,778	637,679
Va. Gardens	2,260	32,351		22,563	102,449
West Miami	5,742	27,239	82,526	85,211	260,294
Unincorp. D.	1m	35,159		7.5m	46.1m
Total Dade	1,990,432	38,001	4.6m	18.8m	80m

(continued)

Proposed Cities:

Jurisdiction	94 Pop.	Ass.Val.
Palmetto Bay	23,189	57,604
Doral	8,725	257,548
Miami Lakes	17,300	59,823
Aventura B	13,207	75,191
W. Kendall	154,797	27,481
E. Kendall	81,940	44,966
Unicorp.D. (without 6 proposed cities)	719,669	30,948

Notes:

* Assessed Valuation Per Capita for all areas.
** Estimated Revenues received under Three Municipal Revenue Sharing Alternatives. Alternative A: Countywide Tax Increment on future growth of tax base. Alternative B: 1 mill ad valorem municipal tax. Alternative C: one half cent sales tax countywide. Source: Various Departments in Metro-Dade Government and Bureau of Economic and Business Research, University of Florida.

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