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Palm Coast officials take aim at county over impact fee, sales tax issues

By FRANK FERNANDEZ, Staff writer 

PALM COAST -- City Council members on Tuesday opposed the county's proposal to change how a half-cent sales tax would be distributed -- and they weren't happy about the county's plans for spending impact fees, either.

First, the half-cent sales tax. The 10-year tax is set to expire in December and voters would have to decide this year whether they want to renew it. Palm Coast gets the lion's share of 65 percent of the tax and other cities in the county also receive a portion. Palm Coast's share comes to \$2.6 million a year. But the county administration is proposing to cut into the cities' margin by making it an even 50-50 split, which is the state's default formula if governments can't reach agreement.

The reason the formula is not 50-50 already is because the population between the county and Palm Coast was unequal when the half-cent sales tax was approved 10 years ago, Mayor Jon Netts said during Tuesday's workshop.

Back then, the county's 57,432 residents included 38,223 from Palm Coast. That gap has only widened as the city's population has grown to 75,617, making up most of the county's total of 96,241 residents, according to the most recent census data.

"So if the state distribution default formula wasn't fair then, it's less fair now," Netts said.

The state default formula is based on the assumption that the population distribution is about even between cities and the county, said Ray Tyner, Palm Coast's planning manager. But Palm Coast's population makes up 79 percent of the county's total, he said. And 76 percent of the sales tax is collected in Palm Coast, Tyner said.

"If you look at the state default formula, it really in reality does not work for the city, we believe," Tyner said.

That prompted the City Council to discuss options such as a 4 percent utility franchise fee, which would generate the same \$2.6 million a year as the half-cent sales tax. A 6.5 percent utility tax would also generate about the same amount, Tyner said.

Neither one would need voter approval and could be instituted by a council vote.

Both of those taxes would cost a typical Palm Coast household paying \$100 a month in electric fees about \$4.25 a month.

A household would pay about \$48 to \$54 per year on the half-cent sales tax, while it would pay about \$51 a year on the utility tax or franchise fee, Tyner said.

City officials characterized the franchise or utility fee not as a new fee but as a replacement for the local-option sales tax.

If the city rejects the sales tax, the county would then have to try to convince voters to approve it, even though the majority of those voters live in Palm Coast.

As for impact fees, the City Council rejected the county's proposal to spend \$2.8 million of what Palm Coast officials argue are the city's impact fees to pay for a portion of the design and construction of the Matanzas Woods Parkway interchange at Interstate 95.

Instead, the council said the money should be used for right of way acquisition, although the cost has not yet been determined. Then \$2.2 million should be spent on the construction of the North Pine Lakes Parkway project and another \$200,000 to design the Royal Palms Parkway Phase 2 project.

The city ranked the next projects as the construction of Palm Harbor Parkway south of Forest Grove Drive to Old Kings Road, at a cost of \$2.7 million, and a \$9.9-million extension of Old Kings Road at Forest Grove Drive.

The next step is to schedule a meeting between the County Commission and the City Council to discuss the impact fee issue. City staff also will check with the County Commission for its response on the half-cent sales tax distribution.

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