



City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, [www.miamibeachfl.gov](http://www.miamibeachfl.gov)

## COMMISSION MEMORANDUM

TO: Mayor Dan Gelber and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: July 31, 2019

SUBJECT: **A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA SETTING 1) THE PROPOSED OPERATING MILLAGE RATE; 2) THE REQUIRED DEBT SERVICE MILLAGE RATE; 3) THE CALCULATED "ROLLED-BACK" RATE; AND, 4) THE DATE, TIME, AND PLACE OF THE FIRST PUBLIC HEARING TO CONSIDER THE MILLAGE RATES AND BUDGETS FOR FISCAL YEAR (FY) 2020; AND, FURTHER, AUTHORIZING THE CITY MANAGER TO TRANSMIT THIS INFORMATION TO THE MIAMI-DADE COUNTY PROPERTY APPRAISER IN THE FORM REQUIRED BY SECTION 200.065, FLORIDA STATUTES**

### **ADMINISTRATION RECOMMENDATION**

The Administration recommends that the Mayor and City Commission adopt the attached Resolution, which authorizes the City Manager to transmit the following information to the Miami-Dade County Property Appraiser:

1) Proposed Millage Rates for FY 2020:

General Millage	5.6298 mills
Capital Renewal & Replacement Millage	0.0235 mills
Pay-As-You-Go (PayGo) Millage	<u>0.0755 mills</u>
Total General Operating Millage	5.7288 mills (same as last year)
Voted Debt Service Millage	<u>0.2933 mills</u> (0.1333 increase over last year)
Total Combined Millage	<u>6.0221 mills</u>

2) "Rolled-Back" Rate 5.5522 mills

3) The first public hearing to consider the proposed millage rates and budgets for FY 2020 shall be held on Wednesday, September 11, 2019, at 5:01 P.M., in the City Commission Chambers at 1700 Convention Center Drive, 3<sup>rd</sup> Floor, Miami Beach, Florida 33139.

The "rolled-back" millage rate for FY 2020 is the millage rate required to produce the same level of property tax revenues in the General Fund in FY 2020 as anticipated to be received in FY 2019. It is important to note that the overall January 1, 2018 citywide tax roll declined by almost \$696.4 million between the July 1, 2018 certified valuation and the July 1, 2019 final valuation due to appeals, adjustments, etc., which is part of the reason the FY 2020 "rolled-back" rate is 0.1766 mills lower than the FY 2019 General Operating millage rate and is lower than it would have been if the "rolled-back" rate was only adjusted for the increase in revenues generated by higher property values. The area outside of the City Center Redevelopment Area (RDA), which impacts

General Fund revenues directly, decreased in value by approximately \$501.1 million during the same period.

The proposed millage rate for FY 2020 provides funding to offset increases for personnel costs, such as an increase in the annual required pension contributions, a 1 percent Cost of Living Adjustment (COLA) effective April 1, 2020; a 5 percent Step increase for all Fraternal Order of Police (FOP) and International Association of Fire Fighters (IAFF) personnel; a 0-3 percent performance-based merit increase for all non-FOP and IAFF personnel; the impact of annualized costs for expenditures approved by the Mayor and City Commission mid-year during FY 2019 including, but not limited to the STEAM Program and re-organization of the Tourism, Culture, and Economic Development Department into two separate departments; and other increases in operating and internal services funds expenditures.

There are two main components to the City's Total Combined millage rate. An Operating millage rate and the Voted Debt Service millage rate. The Operating millage rate, which is comprised of a General, a Renewal and Replacement, and a Pay-As-You-Go (PayGo) component, funds General Fund operating and capital expenditures while the Voted Debt Service millage rate funds debt service for outstanding General Obligation (G.O.) bonds.

On November 6, 2018, the City of Miami Beach voters approved the issuance of a \$439 million G.O. Bond to fund a total of 57 capital projects citywide, ranging from vertical construction, roadwork, park constructions and renovations, technology implementation, renewals and repairs, and underground infrastructure work. The required FY 2020 Voted Debt Service millage rate would provide for funding of the first tranche, totaling \$153 million, of the \$439 million G.O. Bond program through the assessment, levy, and collection of ad-valorem tax on all property within the City and the full faith, credit, and taxing power of the City pledged to the payment of the principal and interest on the bonds issued as part of the voter-approved G.O. Bond Program.

For FY 2020, the total required debt service payment is \$11.8 million, which requires the levy of a Voted Debt Service millage rate of 0.2933 mills. The FY 2020 Voted Debt Service millage rate is 0.1333 mills more than the Voted Debt Service millage rate adopted in FY 2019 of 0.1600 mills due to the new voter-approved G.O. Bond Program. The required \$11.8 million payment for FY 2020 is comprised of remaining debt service on the City's outstanding 2011 G.O. Bonds of \$4.7 million, plus \$7.1 million attributed to the new voter-approved G.O. Bond Program.

It is important to note that the required FY 2020 Voted Debt Service millage rate is reflective of approximately \$621,000 in anticipated debt service savings resulting from refunding of the City's 2003 G.O. Bonds during FY 2019 that will be carried forward and utilized to fund the required FY 2020 debt service payment for the City's outstanding 2011 and 2019 G.O. bonds.

	FY 2019 Adopted	FY 2020 Proposed	Increase/ (Decrease)
General	5.6298	5.6298	0.0000
Capital Renewal & Replacement	0.0235	0.0235	0.0000
Pay-As-You-Go (PayGo)	0.0755	0.0755	0.0000
<b>Total General Operating Millage</b>	<b>5.7288</b>	<b>5.7288</b>	<b>0.0000</b>
Debt Service	0.1600	0.2933	0.1333
<b>Total Combined Millage</b>	<b>5.8888</b>	<b>6.0221</b>	<b>0.1333</b>

**ANALYSIS OF PROPERTY VALUES IN MIAMI BEACH**

On July 1, 2019, the City received the 2019 Certification of Taxable Value from the Miami-Dade County Property Appraiser indicating that the overall taxable value for the City of Miami Beach was \$40.1 billion, including \$302.5 million in new construction. Overall, this represents a 3.1 percent increase in values from the 2018 Certification of Taxable Value provided by the Miami-Dade County Property Appraiser on July 1, 2018.

	July 2018 Certified	July 2019 Certified	\$ Change	% Change
Property Assessment				
Existing Values	38,701,545,195	39,796,383,821	1,094,838,626	2.8%
New Construction	186,115,906	302,508,638	116,392,732	62.5%
Total Citywide	38,887,661,101	40,098,892,459	1,211,231,358	3.1%
City Center RDA	-5,993,199,959	-6,258,372,786	-265,172,827	4.4%
Total Citywide - Net of City Center RDA	32,894,461,142	33,840,519,673	946,058,531	2.9%
Property Tax Revenue Projection	182,168,000	187,389,000	5,221,000	2.9%

Further, the following table shows the difference between the 2019 Certification of Taxable Value from the Miami-Dade Property Appraiser as of July 1, 2019 and the 2019 Estimated Taxable Value as of June 1, 2019 provided by the Miami-Dade County Property Appraiser.

	June 2019 Preliminary	July 2019 Certified	\$ Change	% Change
Property Assessment				
Existing Values	39,800,000,000	39,796,383,821	-3,616,179	-0.01%
New Construction	235,000,000	302,508,638	67,508,638	28.7%
Total Citywide	40,035,000,000	40,098,892,459	63,892,459	0.2%
City Center RDA	-6,292,859,957	-6,258,372,786	-34,487,171	-0.5%
Total Citywide - Net of City Center RDA	33,742,140,043	33,840,519,673	98,379,630	0.3%
Property Tax Revenue Projection	186,863,000	187,389,000	526,000	0.3%

Preliminary property tax revenue projections as of June 1, 2019 assumed property values within the City Center RDA would increase by approximately 5.0 percent over the 2018 Certification of Taxable Value based on historical trends. However, based on the 2019 Certification of Taxable Value provided by the Miami-Dade County Property Appraiser's Office as of July 1, 2019, property values within the City Center RDA increased approximately 4.4 percent, thereby slightly increasing citywide General Fund property tax revenues by a greater percentage than originally projected as of June 1, 2019.

Lastly, citywide taxable values, excluding the City Center RDA district as of July 1, 2019, increased from \$32.9 billion to \$33.8 billion, which is an increase of approximately \$946.1 million, or 2.9 percent, over the 2018 Certification of Taxable Value provided by the Miami-Dade Property Appraiser.

	January 1, 2018 Value (in billions)				January 1, 2019 Value (in billions)		
	July 1, 2018 (FY2019 Budget)	Revised Value (FY2019 Projection)	Change in 2018 Values	% Chg.	July 1, 2019 (FY2020 Budget)	\$ Chg.	% Chg.
Total Citywide	38.888	38.191	(0.696)	-1.8%	40.099	1.211	3.1%
City Center RDA	5.993	5.798	(0.195)	-3.3%	6.258	0.265	4.4%
Citywide - Net of City Center RDA	32.894	32.393	(0.501)	-1.5%	33.841	0.946	2.9%

## **VALUE OF ONE MILL OF TAXABLE VALUE**

The first building block in developing a municipal budget is the establishment of the value of one mill of taxation, wherein the mill is defined as \$1.00 of ad valorem tax for every \$1,000 of property value. For the City of Miami Beach, the value for each mill for the proposed FY 2020 budget is determined by the 2019 Certification of Taxable Value, which has been set at \$40.1 million per mill levied. Florida Statutes permit a discount of up to five percent for early payment discounts, delinquencies, etc. Therefore, the 95 percent value of one mill citywide is approximately \$38.1 million. Net of Center City RDA tax increment available to the General Fund, the value of one mill at 95 percent is approximately \$32.7 million.

## **DETERMINING THE VOTED DEBT SERVICE MILLAGE LEVY**

On November 6, 2018, the City of Miami Beach voters approved the issuance of a \$439 million G.O. Bond to fund a total of 57 capital projects citywide, ranging from vertical construction, roadwork, park constructions and renovations, technology implementation, renewals and repairs, and underground infrastructure work. The required FY 2020 Voted Debt Service millage rate would provide for funding of the first tranche, totaling \$153 million, of the \$439 million G.O. Bond program through the assessment, levy, and collection of ad-valorem tax on all property within the City and the full faith, credit, and taxing power of the City pledged to the payment of the principal and interest on the bonds issued as part of the voter-approved G.O. Bond Program.

For FY 2020, the total required debt service payment is \$11.8 million, which requires the levy of a Voted Debt Service millage rate of 0.2933 mills. The FY 2020 Voted Debt Service millage rate is 0.1333 mills more than the Adopted FY 2019 Voted Debt Service millage rate of 0.1600 due to the new G.O. Bond Program. The required \$11.8 million payment for FY 2020 is comprised of remaining debt service required for the City's outstanding 2011 G.O. Bonds of \$4.7 million, plus \$7.1 million attributed to the new voter-approved G.O. Bond Program.

It is important to note that the required FY 2020 Voted Debt Service millage rate is reflective of approximately \$621,000 in anticipated debt service savings resulting from refunding of the City's 2003 G.O. Bonds during FY 2019 that will be carried forward and utilized to fund the required FY 2020 debt service payment for the City's outstanding 2011 and 2019 G.O. bonds.

## **IMPACT OF PROPOSED MILLAGE LEVY IMPACT ON PROPERTY OWNERS**

### **Homesteaded Properties**

In 1992, voters approved an amendment to the Florida Constitution known as Amendment 10, or Save Our Homes (SOH). SOH is an assessment limitation, or "cap", on increases in the assessed value of a homestead residence. Those increases are limited to 3 percent or the percent change in the CPI (Consumer Price Index), whichever is less. The "cap" goes into effect beginning the year after a homestead exemption is granted.

Based on property values as of July 1, 2019, the median value of homesteaded property in Miami Beach is \$195,522 while the average is \$500,407. The impact of the City's proposed FY 2020 Total Combined millage rate of 6.0221 mills on the median homesteaded property within the City would be an increase of \$33 while the impact to the average value homesteaded property within the City would be an increase of \$106 as summarized in the table below.

Homesteaded Properties				
	FY 2019		FY 2020	
	Median**	Average**	Median**	Average**
<b>Preliminary Taxable Value**</b>	<b>\$ 194,251</b>	<b>\$493,753</b>	<b>\$ 195,522</b>	<b>\$ 500,407</b>
<b>City of Miami Beach</b>				
Operating	\$ 1,113	\$ 2,829	\$ 1,120	\$ 2,867
Voted Debt	31	79	57	147
<b>Total Miami Beach</b>	<b>\$ 1,144</b>	<b>\$ 2,908</b>	<b>\$ 1,177</b>	<b>\$ 3,014</b>
<b>\$ Change in Taxes</b>				
Operating			\$ 7	\$ 38
Voted Debt			26	68
<b>Total Miami Beach</b>			<b>\$ 33</b>	<b>\$ 106</b>
**Source: Miami-Dade County Property Appraiser's – 2018 and 2019- Preliminary Average-Median-Homestead-Residential-Values files				

### Additional Millage Rate Analysis

At the June 28, 2019 FCWPC meeting, it was requested that the Administration provide an analysis of the additional millage rate that would be necessary to fully fund the City's current capital renewal and replacement needs for FY 2020. Based on the 2019 Certified Taxable Values provided by the Miami-Dade County Property Appraiser's Office and the City's Total Combined millage rate proposed for FY 2020, the table below reflects different levels of additional funding for renewal and replacement of General Fund capital assets, including the actual amounts of unfunded FY 2020 Capital Renewal and Replacement (\*\$4.5 million) and Capital Pay-As-You-Go (\*\$7.0 million) requests, along with the additional necessary millage rate increases and impacts on the median and average value of homesteaded property in Miami Beach as of July 1, 2019 reflected above.

\$ Additional Funding	Additional Millage Required	Additional \$ Impact on Median Value	Additional \$ Impact on Average Value
1,000,000	0.0306	6	15
4,504,000*	0.1377	27	69
5,000,000	0.1529	30	76
7,019,000*	0.2146	42	107
10,000,000	0.3057	60	153

It is important to note that any of the additional funding levels reflected above, corresponding required millage rate, and additional impact on the average median and average homesteaded property, if approved by the City Commission, would be in addition to the impact from the current Total Combined millage rate proposed for FY 2020. For example, if the current Total General Operating millage rate of 6.0221 proposed for FY 2020 were increased by 0.1377 mills to 6.1598 (additional \$4.5 million for unfunded capital requests), the cumulative impact on the median homesteaded property within the City would be an increase of \$60 instead of \$33 while the impact to the average value homesteaded property within the City would be an increase of \$175 instead of \$106.

## **Historical Perspective**

It is important to note that in prior years, the City of Miami Beach significantly reduced tax rates as property values increased. Between FY 2000 and FY 2010, property tax rates declined approximately 2.8 mills. In FY 2008 alone, the property tax rate declined by approximately 1.8 mills with annual savings to the average homesteaded property of over \$400. In addition, in FY 2006 and FY 2007, the City funded \$200 and \$300 homeowner dividends paid to homesteaded property owners in the City. The City's Total Combined millage rates for FY 2017, FY 2018, and FY 2019 were the lowest it has been in at least 20 years.

## **STATUTORY REQUIREMENTS**

Florida Statute 200.065, entitled "Method of Fixing Millage," establishes specific guidelines that must be used by all local government entities in setting millage (property tax) rates. Under the Florida Statute, the City is required, within 35 days of receipt of the "Certification of Taxable Value" (received July 1, 2019), to advise the Miami-Dade County Property Appraiser of the proposed Total General Operating millage rate, the calculated "rolled-back" rate and the date, time, and place of the first public hearing to consider the proposed millage rates and budgets for FY 2020. The required Voted Debt Service millage rate must also be set at the same time as the Total General Operating millage rate.

After setting the proposed FY 2020 millage rate, the Mayor and City Commission may, at any time prior to the final adoption, lower the rates by adjusting priorities. However, increasing the millage rate may only be accomplished by an expensive mailing and advertising process to every property owner on Miami Beach. The City's proposed operating millage rate as well as that of other taxing authorities will be included in the Truth-in-Millage (TRIM) statement sent to each property owner in the City.

## **MAXIMUM MILLAGE DETERMINATION**

As presented at the May 21, 2019 Commission Budget Workshop and Finance and Citywide Projects Committee (FCWPC) Budget Briefings, the FY 2020 Total General Operating millage rate is proposed at 5.7288 mills, which reflects no change from the prior year FY 2019 adopted Total General Operating millage rate. Based on the July 1, 2019 Certification of Taxable Value received from the Miami-Dade County Property Appraiser, the levy of 5.7288 mills would generate approximately \$187.4 million in General Fund property tax revenues, which is an increase of \$5.2 million over FY 2019 budgeted property tax revenues Citywide (net of the City Center RDA).

Further, pursuant to State Statute, the City may elect to approve millage rates above the "rolled-back" rate up to the constitutional cap of 10 mills, subject to the following votes by the Commission or referendum:

- Option I: A majority approval of the Mayor and City Commission is required to approve a millage up to 6.1727 mills (equivalent to a 3.39% increase in Property Tax revenues). The 1.0339 increase is the State per capita personal income gain for the prior calendar year.
- Option II: A two-thirds approval (5 of 7 votes) of the Mayor and City Commission is required to approve a millage up to 6.7900 mills (equivalent to a 10% increase in Property Tax revenues above Option I).

- Option III: A unanimous approval of the Commission or referendum is required to approve a millage above 6.7900 mills.

Adoption of the Total General Operating millage rate of 5.7288 mills proposed for FY 2020 would, therefore, require a majority approval (4 of 7 votes) by the Mayor and City Commission per the State of Florida's Truth-in-Millage (TRIM) requirements.

By August 4, 2019 the City Manager will certify the proposed millage rate to the Miami-Dade County Property Appraiser. The proposed millage rate will be included in the TRIM notices that will be mailed by the Property Appraiser on August 24, 2019. The purpose of the TRIM notice is to notify property owners of how much their property taxes could potentially increase or decrease and which governmental entity is responsible for the taxes levied.

As such, the proposed millage rate effectively sets the "ceiling" for the millage rate during the budget process because it cannot be increased without sending out a new TRIM notice to all property owners in Miami Beach. However, the millage rate can remain the same or be decreased throughout the remainder of the budget process until the final millage rates are adopted by the Mayor and City Commission at the second public hearing to be held on September 25, 2019 at 5:01 p.m.

### **FIRST PUBLIC HEARING**

The first public hearing on the proposed operating millage rate and budget for FY 2020 must be held no later than 80 days, or earlier than 65 days, from the start of the TRIM calendar (July 1<sup>st</sup>). Other guidelines are: 1) The public hearing cannot be scheduled on a Sunday or on those days utilized by Miami-Dade County or the Miami-Dade County School Board for their public hearing; 2) If on a day other than Saturday, it must be held after 5:00 P.M.; and, 3) The principal taxing authority (City of Miami Beach) must adopt its millage rate prior to adopting its annual budget.

Based on these guidelines, the first hearing must be held between September 3, 2019 and September 18, 2019. These dates are unavailable for the following reasons:

September 8 and 15	Sundays
September 4	Miami-Dade County School Board Public Hearing
September 5	Miami-Dade County Public Hearing

Of the remaining days available, it is recommended that the first public hearing be held on Wednesday, September 11, 2019, at 5:01 P.M., in the City Commission Chambers at 1700 Convention Center Drive, 3<sup>rd</sup> Floor, Miami Beach, Florida 33139.

JLM/JW/TOS