



City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMISSION MEMORANDUM

TO: Mayor Dan Gelber and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: September 25, 2019

SUBJECT: **A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ADOPTING: 1) THE FINAL AD VALOREM MILLAGE OF 5.7288 MILLS FOR FISCAL YEAR 2020 FOR GENERAL OPERATING PURPOSES, WHICH IS THREE AND TWO TENTHS PERCENT (3.2%) MORE THAN THE "ROLLED-BACK RATE OF 5.5522 MILLS; AND 2) THE DEBT SERVICE MILLAGE RATE OF 0.2933 MILLS**

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) Final Millage Rates for Fiscal Year 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	6.0221 mills

2) The final adopted total combined millage rate of 6.0221 mills for Fiscal Year 2020 reflects an increase of 0.1333 mills over the total combined millage rate of 5.8888 adopted for Fiscal Year 2019. The final adopted total operating millage rate of 5.7288 for Fiscal Year 2020 is 0.1766 mills, or 3.2 percent, more than the "rolled-back" rate of 5.5522. As a result, the City is required to publish a Notice of Proposed Tax Increase in accordance with the State of Florida's Truth in Millage (TRIM) requirements.

The first public hearing on the tentative millage rates for Fiscal Year 2020 was held on September 11, 2019. The millage rates herein are those which were tentatively adopted at the first public hearing on that day.

The "rolled-back" millage rate for Fiscal Year 2020 is the millage rate required to produce the same level of property tax revenues in the General Fund in Fiscal Year 2020 as anticipated to be received in Fiscal Year 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 Fiscal Year 2020 “rolled-back” rate is 0.1766 mills, or 3.2 percent, lower than the Fiscal Year 2019 total 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.

PROCEDURE

Florida Statutes, Section 200.065, requires that at the conclusion of the second public hearing on the proposed tax rate and budget, the City Commission proceed in the following specific manner:

1. Adopt a final ad valorem millage rate for Fiscal Year 2020 general operating purposes. This is accomplished by adopting a Resolution which includes the percentage increase or decrease over the "rolled-back" rate; and the required debt service millage rate.

State statute requires that only the title be read aloud.

2. Adopt a final general operating budget for Fiscal Year 2020, which also includes budgets for Enterprise, Internal Service, Special Revenue, G.O. Bond Debt Service Funds, as well as the City Tax Increment Financing (TIF) portion of the City Center RDA. This is accomplished by adopting a companion Resolution (see accompanying City Budget Agenda Item).

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 represented 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%

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 Fiscal Year 2020 Voted Debt Service millage rate would provide for funding of the first tranche 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 Fiscal Year 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 Fiscal Year 2020 Voted Debt Service millage rate is 0.1333 mills more than the Adopted Fiscal Year 2019 Voted Debt Service millage rate of 0.1600 due to the new G.O. Bond Program. The required \$11.8 million payment for Fiscal Year 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 Fiscal Year 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 Fiscal Year 2019 that will be carried forward and utilized to fund the required Fiscal Year 2020 debt service payment for the City's outstanding 2011 and 2019 G.O. bonds.

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

Impact on Non-Homesteaded Properties

The annual increase in market value of a non-homesteaded property is capped at 10 percent (does not apply to school millage rates). While the citywide average increase in property values is 3.1 percent, the property value of individual properties may increase up to, but not more than 10 percent (excluding the school millage portion of the property tax bill). However, an individual property owner may see a higher than 10 percent increase if there is a change in ownership of a capped property resulting in a reset of the cap. Another potential factor, if applicable, would be the value of new construction which can contribute to a property value increase of more than 10 percent.

OVERLAPPING JURISDICTIONAL OPERATING AND DEBT SERVICE MILLAGE RATES

City of Miami Beach property owners must also pay property taxes to Miami-Dade County, the Miami-Dade County School Board, the Children's Trust, the South Florida Water Management District, Okeechobee Basin, Everglades Project, and the Florida Inland Navigational District. These taxing authorities represent 68.9 percent of a Miami Beach property owner's tax bill.

The proposed Fiscal Year 2020 countywide tax rate for Miami-Dade County remained flat at 4.6669 mills; the library tax rate also remained flat at 0.2840 mills; and the debt service millage increased by 0.0136 mills to 0.4780 mills. The tax rate for the Miami-Dade School District increased by 0.4150 mills to 7.1480 mills. The Children's Trust tax rate increased by 0.0265 mills to 0.4680 mills. As a whole, the millage rates for the South Florida Water Management District, Okeechobee Basin, Everglades Project, and Florida Inland Navigational District decreased by 0.0141 mills to 0.3115 mills.

With the proposed rates for Fiscal Year 2020, the Miami Beach portion of the tax bill is approximately 31.1 percent of the total bill. *Of note, the Fiscal Year 2020 Countywide millage rate is 0.9571 mills less than the Countywide millage in Fiscal Year 2007, as compared to the City's Fiscal Year 2020 millage rate that is 1.6509 mills less than the City's Fiscal Year 2007 millage.* Further, the School Board millage is 0.9570 mills below the Fiscal Year 2007 School Board millage of 8.1050 mills. The significant difference in the total overlapping millage rate is a direct result of the City's continuing effort to keep millage rates as low as possible. A summary of the tax rate changes is provided in the following table.

OVERLAPPING TAX MILLAGE	FY 2007	% of FY 2007 Total	FY 2019	FY 2020	Variance from FY 2007	Variance from FY 2019	% of FY 2020 Total
City of Miami Beach							
Operating	7.1920	30.8%	5.6298	5.6298	(1.5622)	0.0000	29.1%
Renewal & Replacement	0.1820	0.8%	0.0235	0.0235	(0.1585)	0.0000	0.1%
Pay-As-You-Go Capital	0.0000	0.0%	0.0755	0.0755	0.0755	0.0000	0.4%
Operating Millage	7.3740	31.6%	5.7288	5.7288	(1.6452)	0.0000	29.6%
Voted Debt Service	0.2990	1.3%	0.1600	0.2933	(0.0057)	0.1333	1.5%
Subtotal	7.6730	32.9%	5.8888	6.0221	(1.6509)	0.1333	31.1%
Miami Dade County							
Countywide	5.6150	24.1%	4.6669	4.6669	(0.9481)	0.0000	24.1%
Library	0.4860	2.1%	0.2840	0.2840	(0.2020)	0.0000	1.5%
Debt Service	0.2850	1.2%	0.4644	0.4780	0.1930	0.0136	2.5%
Subtotal	6.3860	27.4%	5.4153	5.4289	(0.9571)	0.0136	28.0%
School Board	8.1050	34.8%	6.7330	7.1480	(0.9570)	0.4150	36.9%
Children's Trust	0.4220	1.8%	0.4415	0.4680	0.0460	0.0265	2.4%
Other	0.7360	3.2%	0.3256	0.3115	(0.4245)	(0.0141)	1.6%
Total	23.3220	100.0%	18.8042	19.3785	(3.9435)	0.5743	100.0%

IMPACT OF COMBINED TAX RATES OF OVERLAPPING JURISDICTIONS ON HOMESTEADED PROPERTIES

The City of Miami Beach’s preliminary 2019 median and average homesteaded residential taxable values are \$195,522 and \$500,407 respectively. Applying the total combined millage rates proposed for Fiscal Year 2020 to the median and average taxable values results in a property tax increase of approximately \$135 for the median and \$413 for the average homesteaded residential tax bill in the City of Miami Beach.

Median properties would pay approximately \$3,788 for all taxing jurisdictions combined, while the property taxes generated for average homesteaded residential properties would be approximately \$9,698 per homesteaded property. Of these taxing jurisdictions, the highest component is the Miami-Dade School Board at \$1,398 for a median valued homesteaded property and \$3,577 for an average valued homesteaded property.

The following table provides examples of changes in the property taxes levied for homesteaded properties using the tax rates proposed for Fiscal Year 2020.

Impact on Homesteaded Properties				
	FY 2019		FY 2020	
	Median**	Average**	Median**	Average**
Preliminary Taxable Value**	\$ 194,251	\$ 493,753	\$ 195,522	\$ 500,407
City of Miami Beach				
Operating	\$ 1,113	\$ 2,829	\$ 1,120	\$ 2,867
Voted Debt	31	79	57	147
Total Miami Beach	\$ 1,144	\$ 2,908	\$ 1,177	\$ 3,014
Miami Dade County	1,052	2,674	1,061	2,717
Schools	1,308	3,324	1,398	3,577
Other	149	379	152	390
Total Combined	\$ 3,653	\$ 9,285	\$ 3,788	\$ 9,698
<u>Change in Taxes</u>				
City of Miami Beach				
Operating			\$ 7	\$ 38
Voted Debt			26	68
Total Miami Beach			\$ 33	\$ 106
Miami Dade County			9	43
Schools			90	253
Other			3	11
Total Combined			\$ 135	\$ 413
**Source: Miami-Dade County Property Appraiser’s – 2018 and 2019- Preliminary Average-Median-Homestead-Residential-Values files				

As with the City of Miami Beach millage rates, impacts of the combined jurisdictional millage rates for non-homesteaded properties are based on the individual property values.

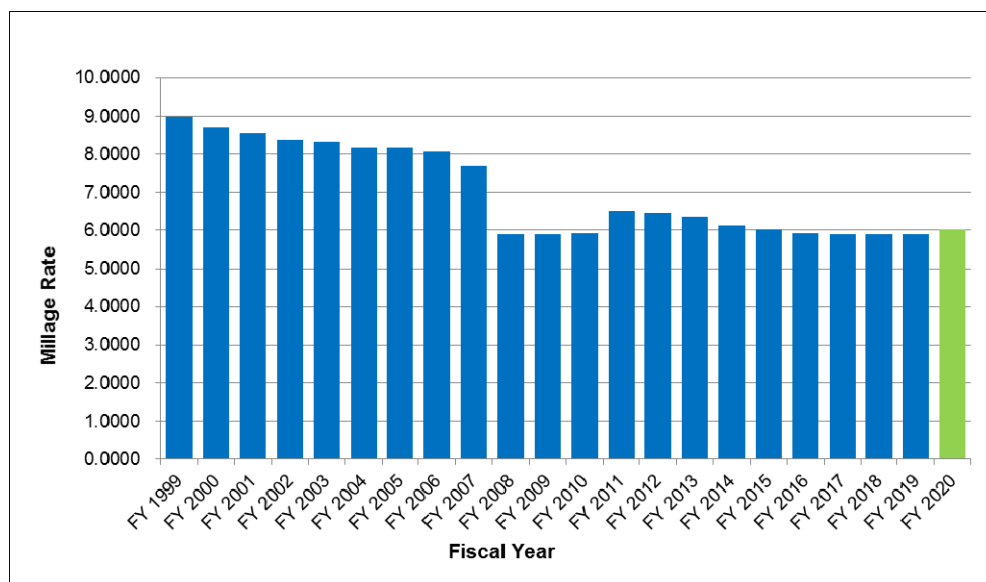
HISTORICAL PERSPECTIVE

It is important to note that in prior years, the City of Miami Beach significantly reduced tax rates as property values increased. Between Fiscal Year 2000 and Fiscal Year 2010, property tax rates declined approximately 2.7857 mills. In Fiscal Year 2008 alone, the property tax rate declined by approximately 1.7760 mills with annual savings to the average homesteaded property of over \$400. In addition, in Fiscal Year 2006 and Fiscal Year 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 Fiscal Year 2017, Fiscal Year 2018, and Fiscal Year 2019 were the lowest it has been in the City's recent history.

Taxable Values Chart	Taxable Property Values (billions)	Final/ Revised Taxable Values (billions)	Millage Rates		Tax Levy (in millions)	
			Total Combined Citywide Millage	General Fund/RDA Operating Millage	Total Tax Levy including Debt	General Fund Total (including S. Pointe, Capital Renewal & Repl. & PayGo)
FY 1998	\$ 6.46	\$ 6.40	9.2100	7.4990	\$ 57.45	\$ 46.78
FY 1999	\$ 6.97	\$ 6.87	8.9830	7.4990	\$ 60.37	\$ 44.66
FY 2000	\$ 7.66	\$ 7.54	8.6980	7.4990	\$ 64.29	\$ 47.36
FY 2001	\$ 8.37	\$ 8.22	8.5550	7.3990	\$ 69.08	\$ 49.75
FY 2002	\$ 9.40	\$ 9.22	8.3760	7.2990	\$ 75.97	\$ 54.37
FY 2003	\$ 10.56	\$ 10.41	8.3220	7.2990	\$ 84.81	\$ 61.05
FY 2004	\$ 12.09	\$ 11.85	8.1730	7.2990	\$ 95.39	\$ 68.17
FY 2005	\$ 14.04	\$ 13.86	8.1730	7.4250	\$ 110.74	\$ 79.38
FY 2006	\$ 17.45	\$ 17.15	8.0730	7.4810	\$ 135.91	\$ 111.69
FY 2007	\$ 22.74	\$ 22.26	7.6730	7.3740	\$ 168.38	\$ 140.31
FY 2008	\$ 26.85	\$ 26.14	5.8970	5.6555	\$ 150.42	\$ 125.33
FY 2009	\$ 26.90	\$ 25.89	5.8930	5.6555	\$ 150.59	\$ 125.94
FY 2010	\$ 24.70	\$ 23.24	5.9123	5.6555	\$ 138.70	\$ 115.73
FY 2011	\$ 22.10	\$ 20.97	6.5025	6.2155	\$ 136.55	\$ 112.14
FY 2012	\$ 21.98	\$ 20.75	6.4539	6.1655	\$ 134.75	\$ 111.29
FY 2013	\$ 23.07	\$ 22.02	6.3477	6.0909	\$ 139.10	\$ 114.32
FY 2014	\$ 24.66	\$ 23.64	6.1163	5.8634	\$ 143.26	\$ 117.41
FY 2015	\$ 27.10	\$ 26.27	6.0237	5.7942	\$ 155.10	\$ 127.76
FY 2016	\$ 30.70	\$ 29.92	5.9123	5.7092	\$ 172.42	\$ 143.16
FY 2017	\$ 34.70	\$ 33.99	5.8888	5.7092	\$ 194.11	\$ 160.78
FY 2018	\$ 37.39	\$ 36.63	5.8888	5.7224	\$ 209.21	\$ 175.36
FY 2019	\$ 38.88	\$ 38.19	5.8888	5.7288	\$ 217.51	\$ 182.16
FY 2020	\$ 40.10	*	6.0221	5.7288	\$ 229.41	\$ 187.39

*Data not available until next calendar year

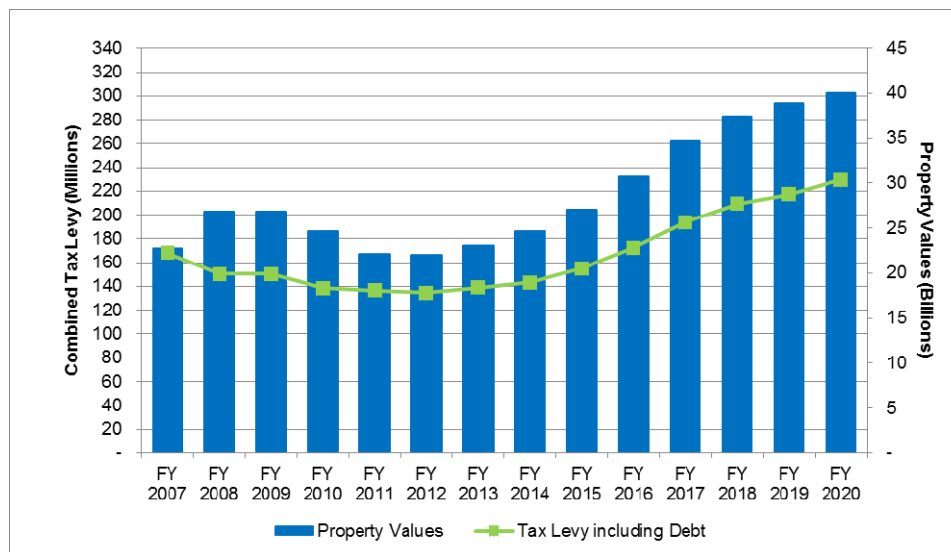
Total Combined Millage Rates



Property Values and Tax Levy

Today's General Fund operating budget also reflects greater diversification of revenues since Fiscal Year 2007. The proposed Fiscal Year 2020 General Fund operating budget includes \$36.8 million in resort taxes to fund tourism-eligible expenditures (an increase of \$921,000 from Fiscal Year 2019), a \$4.4 million transfer from the City Center RDA in accordance with the 4th Amendment to the Interlocal Agreement between Miami-Dade County and the City (an increase of \$14,000 from Fiscal Year 2019), and a \$1.2 million transfer of Parking Operations Fund year-end surplus (same as Fiscal Year 2019). In large part, due to these alternative revenue sources, property tax revenues represent 53.6 percent of the total funding for the proposed Fiscal Year 2020 General Fund budget, as compared to 59.1 percent in Fiscal Year 2007, which represents a significant reduction over the last thirteen years.

Despite the proposed Fiscal Year 2020 General Fund operating budget increasing from \$237.7 million in Fiscal Year 2007 to \$350.0 million for Fiscal Year 2020, which is an increase of \$112.4 million, or 47.3 percent, over the last thirteen years combined, the property tax levy has only increased by \$47.1 million, or 33.6 percent, over the same period.



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 Fiscal Year 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 Fiscal Year 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 Fiscal Year 2020 total general operating millage rate is proposed at 5.7288 mills, which reflects no change from the prior year Fiscal Year 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 Fiscal Year 2019 budgeted property tax revenues Citywide (net of the City Center RDA).

	July 2018 Certified	July 2019 Certified
Property Assessment		
Existing Values	38,701,545,195	39,796,383,821
New Construction	186,115,906	302,508,638
Total Citywide	38,887,661,101	40,098,892,459
City Center RDA	(5,993,199,959)	(6,258,372,786)
Citywide Total - Net of City Center RDA	32,894,461,142	33,840,519,673
Property Tax Revenue Projection	182,168,000	187,389,000
Property Tax Revenue Projection Variance		5,221,000

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 percent 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 percent 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 Fiscal Year 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.

CONCLUSION

The Administration recommends adoption of the attached Resolution, which sets both final total general operating and voted debt service millage rates for Fiscal Year 2020 at 5.7288 mills and 0.2933 mills, respectively.

JLM/JW/TOS