

## COMMISSION MEMORANDUM

TO: Mayor Dan Gelber and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: July 29, 2020

  
Jimmy Morales (Jul 27, 2020 12:26 EDT)

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 2021; 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 Fiscal Year (FY) 2021:

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>0.3227 mills</u> (0.0294 increase over last year)
Total Combined Millage	<u>6.0515 mills</u>

2) "Rolled-Back" Rate 5.5726 mills

3) The first public hearing to consider the proposed millage rates and budgets for FY 2021 shall be held on Wednesday, September 16, 2020, at 5:01 P.M., in the City Commission Chambers at 1700 Convention Center Drive, 3<sup>rd</sup> Floor, Miami Beach, Florida 33139.

In the event that Executive Order 20-26, (recently extended by Executive Order 20-150) that suspended any Florida Statute that requires a quorum to be present in person or requires a local government body to meet at a specific public place and authorized local government bodies to utilize communications media technology, such as telephonic and video conferencing, as provided in section 120.54(5)(b)2., Florida

Statutes is extended, the **September 16, 2020** City of Miami Beach Commission Meeting will be held as a **Virtual Meeting** with the Mayor, Commissioners, and City staff participating through video conferencing. The Virtual City Commission Meeting will be broadcast live on Miami Beach TV (MBTV), viewable on the City's website at <https://www.miamibeachfl.gov/government/mbtv/>, as well as on Atlantic Broadband Cable channel 660, AT&T U-verse channel 99, Hotwire Communications channel 395, and ROKU device on PEG.TV channel, and on social media at [facebook.com/cityofmiamibeach](https://facebook.com/cityofmiamibeach). To participate or provide comments, the public may join the virtual meeting at: <https://us02web.zoom.us/j/85224811868> or via telephone at: 1.312.626.6799 (U.S.) or 888.475.4499 (Toll Free). The Webinar ID is: 852 2481 1868. Members of the public wanting to speak on an item during the Virtual City Commission Meeting, must click the "raise hand" icon if using the Zoom app or press \*9 on the telephone to raise their hand.

### **MILLAGE RATE ANALYSIS**

The "rolled-back" millage rate for FY 2021 is the millage rate required to produce the same level of property tax revenues in the General Fund for FY 2021 as anticipated to be received in FY 2020. It is important to note that the overall January 1, 2019 citywide tax roll decreased by approximately \$788.4 million between the July 1, 2019 certified valuation and the July 1, 2020 final valuation due to appeals, adjustments, etc., which is primarily the reason the FY 2021 "rolled-back" rate is 0.1562 mills less than the FY 2020 General Operating millage rate of 5.7288 mills 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 directly impacts General Fund revenues, decreased in value by approximately \$546.1 million during the same period.

The proposed millage rate for FY 2021 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) for all bargaining units (except 2% for CWA); 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 annualized impact of the Collective Bargaining Agreements ratified during FY 2019 and FY 2020; and other miscellaneous General Fund expenditures.

There are two main components to the City's Total Combined millage rate: The 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 2021 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 2021, the total required debt service payment is approximately \$12.8 million, which requires the levy of a Voted Debt Service millage rate of 0.3227 mills. The FY 2021 Voted Debt Service millage rate is 0.0294 mills more than the Voted Debt Service millage rate adopted in FY 2020 of 0.2933 mills due to the voter approved G.O. Bond Program that was approved in 2018. The required \$12.8 million payment for FY 2021 is comprised of remaining debt service on the City's outstanding 2011 G.O. Bonds of \$2.3 million, plus \$10.5 million attributed to the G.O. Bond Program approved in 2018.

	FY 2020 Adopted	FY 2021 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	0.2933	0.3227	0.0294
<b>Total Combined Millage</b>	<b>6.0221</b>	<b>6.0515</b>	<b>0.0294</b>

As noted at June 16, 2020 and July 17, 2020 FERC budget briefings, in order to recognize the savings from the deferral of the capital projects in FY 2020, only the difference between the amounts that were deferred and the amount that was budgeted to be collected in FY 2020 (\$208,000 and \$29,000) will be transferred to the Pay-As-You-Go (PayGo) and Capital Renewal & Replacement (CRR) Funds in FY 2021, respectively. The remainder will be transferred to the General Fund's reserve, which is consistent with the budget balancing plan that was presented to the FERC on April 17, 2020. In addition to these amounts, the incremental increase in revenues (\$44,000 and \$14,000) based on the July 1, 2020 Certification of Taxable Value from the Miami-Dade County Property Appraiser and proposed millage rates is also proposed to be transferred to the PayGo and CRR funds, respectively, in FY 2021.

**ANALYSIS OF PROPERTY VALUES IN MIAMI BEACH**

On July 1, 2020, the City received the 2020 Certification of Taxable Value from the Miami-Dade County Property Appraiser indicating that the overall taxable value for the City of Miami Beach was approximately \$41.7 billion, including \$1.3 billion in new construction. Overall, this represents a 4.1 percent increase in values from the 2019 Certification of Taxable Value provided by the Miami-Dade County Property Appraiser on July 1, 2019.

	July 2019 Certified	July 2020 Certified	\$ Change
Property Assessment			
Property Values	40,098,892,459	41,742,998,986	1,644,106,527
City Center RDA	6,258,372,786	6,204,385,940	(53,986,846)
Citywide Total - Net of City Center RDA	33,840,519,673	35,538,613,046	1,698,093,373
Property Tax Revenue Projection	187,389,000	196,617,000	9,228,000

Further, the following table shows the difference between the 2020 Certification of Taxable Value from the Miami-Dade Property Appraiser as of July 1, 2020 and the 2020 Estimated Taxable Value as of June 1, 2020 provided by the Miami-Dade County Property Appraiser.

	June 2020 Preliminary	July 2020 Certified	\$ Change
Property Assessment			
Property Values	41,485,000,000	41,742,998,986	257,998,986
City Center RDA	6,571,291,425	6,204,385,940	(366,905,485)
Citywide Total - Net of City Center RDA	34,913,708,575	35,538,613,046	624,904,471
Property Tax Revenue Projection	193,315,000	196,617,000	3,302,000

Preliminary property tax revenue projections as of June 1, 2020 assumed property values within the City Center RDA would increase by approximately 5.0 percent over the 2019 Certification of Taxable Value based on historical trends. However, based on the 2020 Certification of Taxable Value provided by the Miami-Dade County Property Appraiser's Office as of July 1, 2020, property values within the City Center RDA decreased 0.9 percent, thereby increasing citywide General Fund property tax revenues by a greater percentage than originally projected as of June 1, 2020.

Lastly, citywide taxable values, excluding the City Center RDA district as of July 1, 2020, increased from \$33.8 billion to \$35.5 billion, which is an increase of approximately \$1.7 billion, or 5.0 percent, over the 2019 Certification of Taxable Value provided by the Miami-Dade Property Appraiser.

	January 1, 2019 Value (in billions)				January 1, 2020 Value (in billions)		
	July 1, 2019 (FY2020 Budget)	Revised Value (FY2020 Proj.)	Change in 2019 Values	% Chg.	July 1, 2020 (FY2021 Budget)	\$ Change (in billions)	% Chg.
Total Citywide	40.099	39.311	(0.788)	-2.0%	41.743	1.644	4.1%
City Center RDA	6.258	6.016	(0.242)	-3.9%	6.204	(0.054)	-0.9%
Citywide - Net of City Center RDA	33.841	33.294	(0.546)	-1.6%	35.539	1.698	5.0%

**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 2021 budget is determined by the 2020 Certification of Taxable Value, which has been set at \$41.7 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 \$39.7 million. Excluding the Center City RDA tax increment available to the General Fund, the value of one mill at 95 percent is approximately \$34.3 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 2021 Voted Debt Service millage rate provides for the 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 2021, the total required debt service payment is \$12.8 million, which requires the levy of a Voted Debt Service millage rate of 0.3227 mills. The FY 2021 Voted Debt Service millage rate is 0.0294 mills more than the Adopted FY 2020 Voted Debt Service millage rate of 0.2933. The required \$12.8 million payment for FY 2021 is comprised of remaining debt service required for the City’s outstanding 2011 G.O. Bonds of \$2.3 million, plus \$10.5 million attributed to G.O. Bond Program that was approved in 2018.

**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, also known as 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, 2020, the median value of homesteaded property in Miami Beach is \$212,696 while the average is \$545,281. The impact of the City’s proposed FY 2021 Total Combined millage rate of 6.0515 mills on the median homesteaded property within the City would be an increase of \$110 while the impact to the average value homesteaded property within the City would be an increase of \$286 as summarized in the table below.

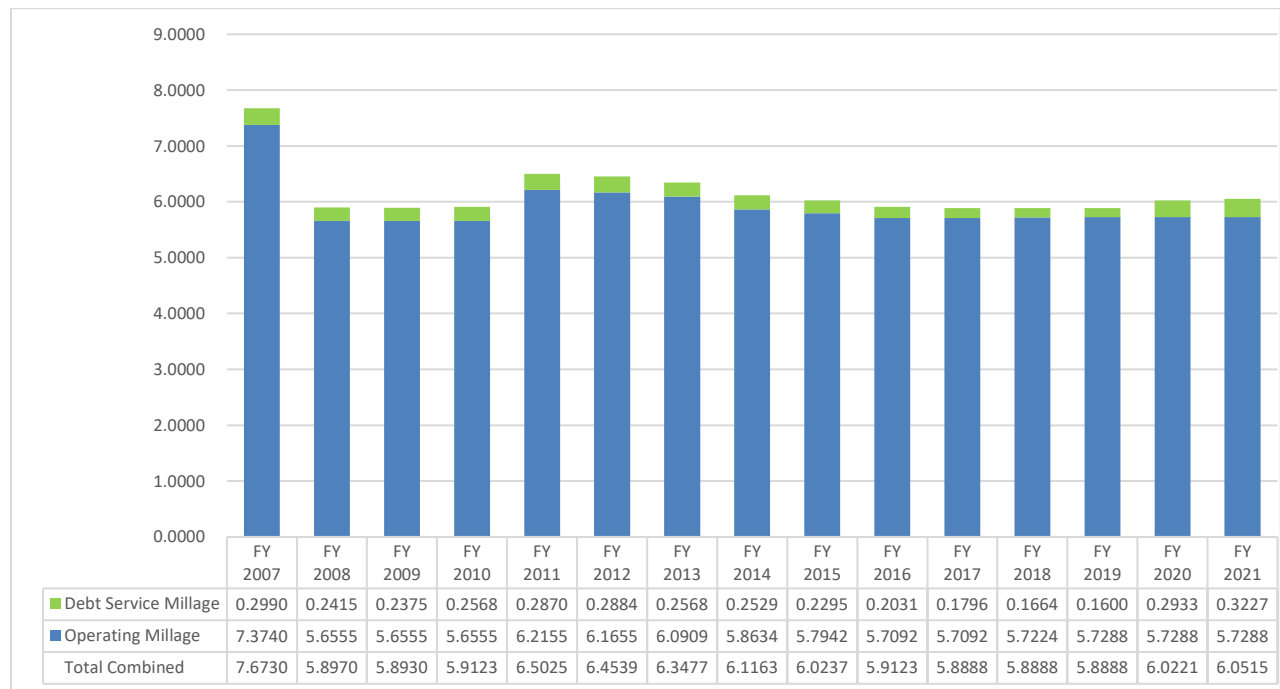
Homesteaded Properties				
	FY 2020		FY 2021	
	Median**	Average**	Median**	Average**
<b>Preliminary Taxable Value**</b>	<b>\$ 195,522</b>	<b>\$500,407</b>	<b>\$ 212,696</b>	<b>\$ 545,281</b>
<b>City of Miami Beach</b>				
Operating	\$ 1,120	\$ 2,867	\$ 1,218	\$ 3,124
Voted Debt	57	147	69	176
<b>Total Miami Beach</b>	<b>\$ 1,177</b>	<b>\$ 3,014</b>	<b>\$ 1,287</b>	<b>\$ 3,300</b>
<b>\$ Change in Taxes</b>				
Operating			\$ 98	\$ 257
Voted Debt			12	29
<b>Total Miami Beach</b>			<b>\$ 110</b>	<b>\$ 286</b>

\*\*Source: Miami-Dade County Property Appraiser’s – 2019 and 2020- Preliminary Average-Median-Homestead-Residential-Values files

**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. For FY 2020 and FY 2021, the slight increases in the Total Combined millage rates are solely attributed to the approved G.O. Bond Program approved by the voters on November 6, 2018.

**Millage Rate History**



**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, 2020), 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 2021. 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 2021 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 June 16, 2020 and July 17, 2020 Finance and Economic Resiliency Committee (FERC) Budget Briefings, the FY 2021 Total General Operating millage rate is proposed at 5.7288 mills, which reflects no change from the prior year Adopted FY 2020 Total General Operating millage rate. Based on the July 1, 2020 Certification of Taxable Value received from the Miami-Dade County Property Appraiser, the levy of 5.7288 mills would generate approximately \$196.6 million in General Fund property tax revenues, which is an increase of \$9.2 million over the FY 2020 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 6.2694 mills (equivalent to a 3.22% increase in Property Tax revenues). The 1.0322 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 6.8963 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 6.8963 mills.

Adoption of the Total General Operating millage rate of 5.7288 mills proposed for FY 2021 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, 2020 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, 2020. 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 29, 2020 at 5:01 p.m.

## **FIRST PUBLIC HEARING**

The first public hearing on the proposed operating millage rate and budget for FY 2021 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 public hearing must be held between September 3, 2020 and September 18, 2020. The following dates are unavailable for the following reasons:

September 6 and 13	Sundays
September 3	Miami-Dade County 1 <sup>st</sup> Public Hearing
September 9	Miami-Dade County School Board 2 <sup>nd</sup> Public Hearing

Of the remaining days available, it is recommended that the first public hearing be held on Wednesday, September 16, 2020, at 5:01 P.M., in the City Commission Chambers at 1700 Convention Center Drive, 3<sup>rd</sup> Floor, Miami Beach, Florida 33139.

In the event that Executive Order 20-26, (recently extended by Executive Order 20-150) that suspended any Florida Statute that requires a quorum to be present in person or requires a local government body to meet at a specific public place and authorized local government bodies to utilize communications media technology, such as telephonic and video conferencing, as provided in section 120.54(5)(b)2., Florida Statutes is extended, the **September 16, 2020** City of Miami Beach Commission Meeting will be held as a **Virtual Meeting** with the Mayor, Commissioners, and City staff participating through video conferencing. The Virtual City Commission Meeting will be broadcast live on Miami Beach TV (MBTV), viewable on the City's website at <https://www.miamibeachfl.gov/government/mbtv/>, as well as on Atlantic Broadband Cable channel 660, AT&T U-verse channel 99, Hotwire Communications channel 395, and ROKU device on PEG.TV channel, and on social media at [facebook.com/cityofmiamibeach](https://www.facebook.com/cityofmiamibeach). To participate or provide comments, the public may join the virtual meeting at: <https://us02web.zoom.us/j/85224811868> or via telephone at: 1.312.626.6799 (U.S.) or 888.475.4499 (Toll Free). The Webinar ID is: 852 2481 1868. Members of the public wanting to speak on an item during the Virtual City Commission Meeting, must click the "raise hand" icon if using the Zoom app or press \*9 on the telephone to raise their hand.

JLM/JW/TOS