



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: September 29, 2020

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 2021 FOR GENERAL OPERATING PURPOSES, WHICH IS TWO AND EIGHT TENTHS PERCENT (2.8%) MORE THAN THE “ROLLED-BACK” RATE OF 5.5726 MILLS; AND 2) THE DEBT SERVICE MILLAGE RATE OF 0.3227 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 (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	6.0515 mills

- 2) The final adopted total combined millage rate of 6.0515 mills for FY 2021 reflects an increase of 0.0294 mills over the total combined millage rate of 6.0221 adopted for FY 2020. The final adopted total operating millage rate of 5.7288 for FY 2021 is 0.1562 mills, or 2.8 percent (%), more than the “rolled-back” rate of 5.5726. 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 FY 2021 was held on September 16, 2020. The millage rates herein are those which were tentatively adopted at the first public hearing on that day.

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 in FY 2021 as anticipated to be received in FY 2020. It is important to note that the overall January 1, 2019 citywide tax roll declined by almost \$788.4 million between the July 1, 2019 certified valuation and the July 1, 2020 final valuation due to appeals,

adjustments, etc., which is part of the reason the FY 2021 “rolled-back” rate is 0.1562 mills, or 2.8%, lower than the FY 2020 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 \$546.1 million during the same period.

## **PROCEDURE**

Florida Statutes, Section 200.065, requires that at the conclusion of the first 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 FY 2021 general operating purposes. This is accomplished by adopting a Resolution which includes the percentage increase or decrease over the “rolled-back” rate; the required debt service millage rate.

**State statute requires that only the title be read aloud.**

2. Adopt a final general operating budget for FY 2021, 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, 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 \$41.7 billion, including \$1.3 billion in new construction. Overall, this represented a 4.1% 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% 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%, 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%, 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%

## **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 the G.O. Bond Program that was approved by the voters in 2018.

**IMPACT OF PROPOSED MILLAGE LEVY 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 3.0% 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 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				

**Impact on Non-Homesteaded Properties**

The annual increase in market value of a non-homesteaded property is capped at 10.0% (does not apply to school millage rates). While the citywide average increase in property values is 4.1%, the property value of individual properties may increase up to, but not more than 10.0% (excluding the school millage portion of the property tax bill). However, an individual property owner may see a higher than 10.0% 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 higher than 10.0%.

**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 68.7% of a Miami Beach property owner’s tax bill.

The proposed FY 2021 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 remained flat at 0.4780 mills. The tax rate for the Miami-Dade School District decreased by 0.0190 mills to 7.1290 mills. The Children's Trust tax rate decreased by 0.0173 mills to 0.4507 mills. Combined, the millage rates for the South Florida Water Management District, Okeechobee Basin, Everglades Project, and Florida Inland Navigational District decreased by 0.0120 mills to 0.2995 mills.

With the proposed rates for FY 2021, the Miami Beach portion of the tax bill is approximately 31.3% of the total tax bill. It is important to note that the FY 2021 Countywide millage rate is 0.9571 mills, or 15.0%, less than the Countywide millage in FY 2007, as compared to the City's FY 2021 millage rate that is 1.6215 mills, or 21.1%, less than the City's FY 2007 millage. Further, the School Board millage is 0.9760 mills below the FY 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 rate changes is provided in the following table.

OVERLAPPING TAX MILLAGE	FY 2007	% of FY 2007 Total	FY 2020	FY 2021	Variance from FY 2007	Variance from FY 2020	% of FY 2021 Total
<b>City of Miami Beach</b>							
General 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%
<b>Operating Millage</b>	<b>7.3740</b>	<b>31.6%</b>	<b>5.7288</b>	<b>5.7288</b>	<b>(1.6452)</b>	<b>0.0000</b>	<b>29.6%</b>
Voted Debt Service	0.2990	1.3%	0.2933	0.3227	0.0237	0.0294	1.7%
<b>Subtotal</b>	<b>7.6730</b>	<b>32.9%</b>	<b>6.0221</b>	<b>6.0515</b>	<b>(1.6215)</b>	<b>0.0294</b>	<b>31.3%</b>
<b>Miami Dade County</b>							
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%	0.4780	0.4780	0.1930	0.0000	2.5%
<b>Subtotal</b>	<b>6.3860</b>	<b>27.4%</b>	<b>5.4289</b>	<b>5.4289</b>	<b>(0.9571)</b>	<b>0.0000</b>	<b>28.0%</b>
<b>School Board</b>	<b>8.1050</b>	<b>34.8%</b>	<b>7.1480</b>	<b>7.1290</b>	<b>(0.9760)</b>	<b>(0.0190)</b>	<b>36.8%</b>
Children's Trust	0.4220	1.8%	0.4680	0.4507	0.0287	(0.0173)	2.3%
Other	0.7360	3.2%	0.3115	0.2995	(0.4365)	(0.0120)	1.5%
<b>Total</b>	<b>23.3220</b>	<b>100.0%</b>	<b>19.3785</b>	<b>19.3596</b>	<b>(3.9624)</b>	<b>(0.0189)</b>	<b>100.0%</b>

### **IMPACT OF COMBINED TAX RATES OF OVERLAPPING JURISDICTIONS ON HOMESTEADED PROPERTIES**

The City of Miami Beach's preliminary 2020 median and average homesteaded residential taxable values are \$212,696 and \$545,281, respectively. Applying the total combined millage rates proposed for FY 2021 to the median and average taxable values results in a property tax increase of approximately \$330 for the median and \$858 for the average homesteaded residential tax bill in the City of Miami Beach.

Median properties would pay approximately \$4,118 per homesteaded property for all taxing jurisdictions combined, while the property taxes for average homesteaded residential properties

would be approximately \$10,556 per homesteaded property. Of these taxing jurisdictions, the highest component is the Miami-Dade School Board at \$1,516 for a median valued homesteaded property and \$3,887 for an average valued homesteaded property in the City of Miami Beach.

The following table provides examples of changes in the property taxes levied for homesteaded properties using the tax rates proposed for FY 2021 by jurisdiction.

Impact on 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>
City of Miami Beach				
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>
Miami Dade County	1,061	2,717	1,155	2,960
Schools	1,398	3,577	1,516	3,887
Other	152	390	160	409
<b>Total Combined</b>	<b>\$3,788</b>	<b>\$9,698</b>	<b>\$4,118</b>	<b>\$10,556</b>
<u>Change in Taxes</u>				
City of Miami Beach				
Operating			\$ 98	\$ 257
Voted Debt			12	29
<b>Total Miami Beach</b>			<b>\$ 110</b>	<b>\$ 286</b>
Miami Dade County			94	243
Schools			118	310
Other			8	19
<b>Total Combined</b>			<b>\$ 330</b>	<b>\$ 858</b>
**Source: Miami-Dade County Property Appraiser's – 2019 and 2020- 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

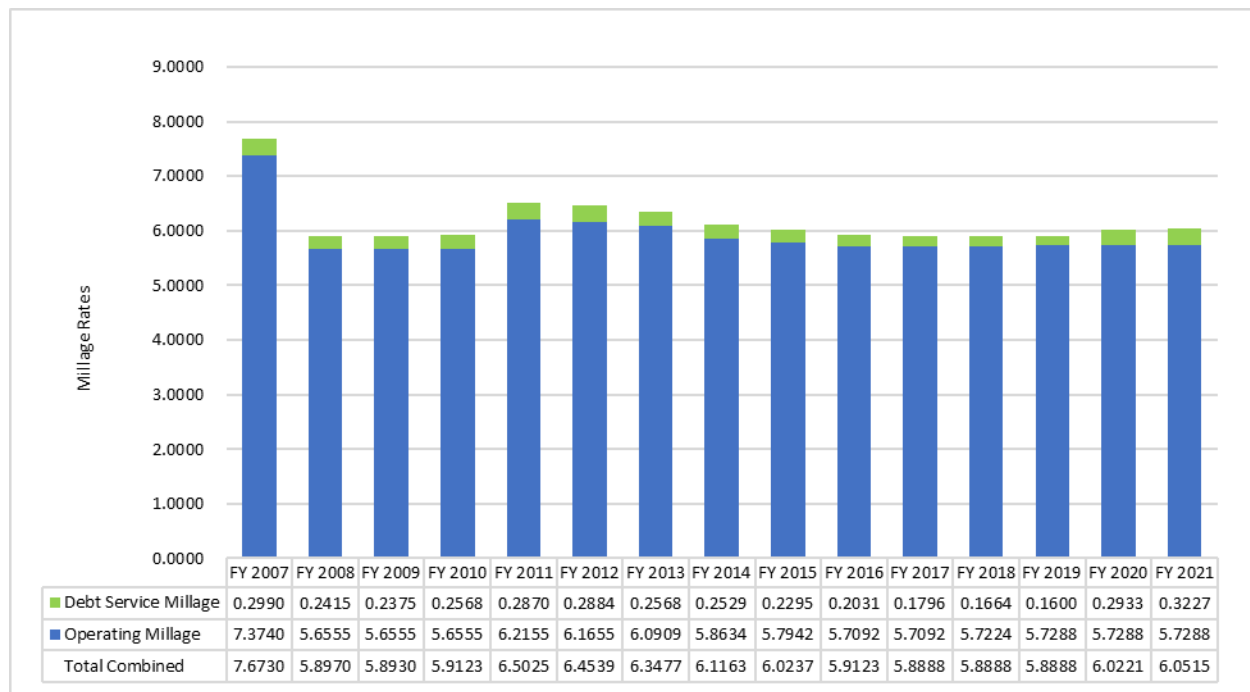
It is important to note that in prior years, the City of Miami Beach significantly reduced tax rates as property values increased. Between FY 2000 and FY 2010, property tax rates declined approximately 2.8 mills. In FY 2008 alone, the property tax rate declined by approximately 1.8 mills with annual 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.

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\*Data not available until next calendar year



### Total Combined Millage Rates



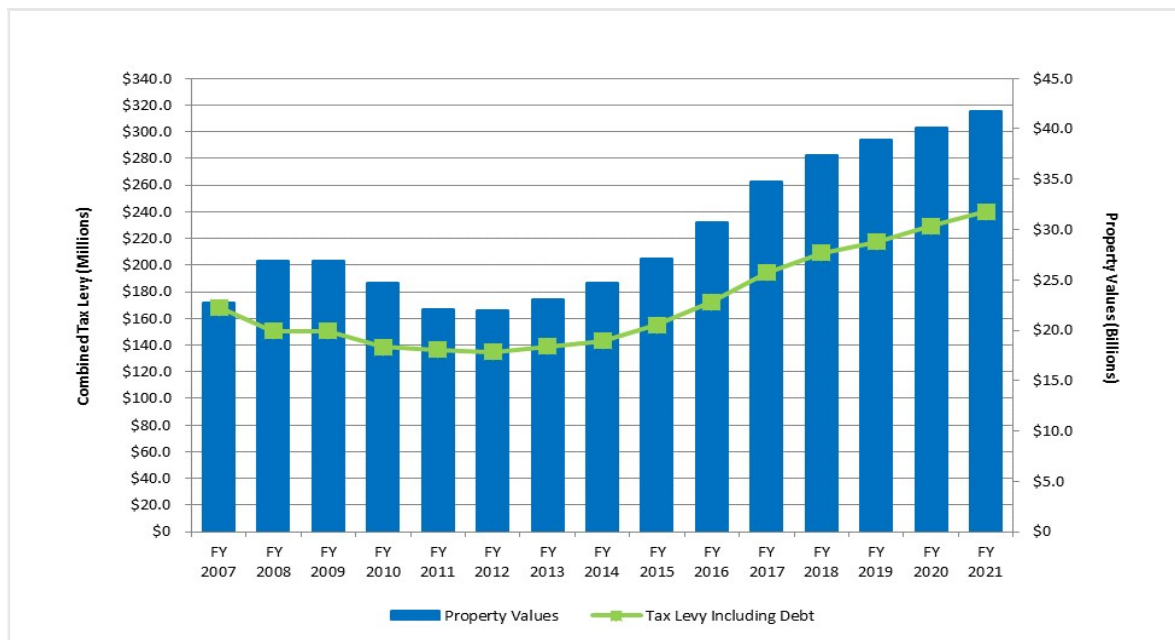
### Property Values and Tax Levy

The General Fund operating budget reflects a greater diversification of revenues since FY 2007. The City Administration's long-term objective has been to reduce the subsidies from the Parking Enterprise Fund and the City Center RDA Fund to the General Fund in order to reduce the burden on the Parking Enterprise Fund and City Center RDA Fund. Consistent with this strategy, and due to the significant reduction in revenues being experienced resulting from COVID-19, the Administration recommends the elimination of the \$1.2 million transfer from the Parking Enterprise Fund to the General Fund in FY 2021 while the City Center RDA subsidy is recommended to remain the same as FY 2020 at \$4.4 million to partially offset the decrease in General Fund revenues impacted by COVID-19.

Despite the proposed FY 2021 General Fund operating budget increasing from \$237.7 million in FY 2007 to \$327.6 million for FY 2021, which is an increase of \$89.9 million over the last fourteen years combined, the property tax levy has only increased by \$56.5 million over the same period.



## Property Values and Tax Levy Trend



## **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, July 17, 2020 and July 24, 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 approximately \$9.2 million over the FY 2020 budgeted property tax revenues Citywide (net of the City Center RDA).

	July 2019 Certified	July 2020 Certified
Property Assessment		
Existing Values	39,796,383,821	40,429,722,472
New Construction	302,508,638	1,313,276,514
Total Citywide	40,098,892,459	41,742,998,986
City Center RDA	6,258,372,786	6,204,385,940
Citywide Total - Net of City Center RDA	33,840,519,673	35,538,613,046
Property Tax Revenue Projection	187,389,000	196,617,000
<b>Property Tax Revenue Projection Variance</b>		<b>9,228,000</b>

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 10.0% 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 6.8693 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.

## **CONCLUSION**

The Administration recommends adoption of the attached Resolution, which sets both final total general operating and voted debt service millage rates for FY 2021 at 5.7288 mills and 0.3227 mills, respectively.

JLM/JW/TOS