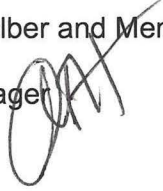


MIAMI BEACH

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

COMMISSION MEMORANDUM

TO: Honorable Mayor Dan Gelber and Members of the City Commission

FROM: Alina T. Hudak, City Manager 

DATE: July 20, 2022

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 2023; 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**

STRATEGIC PLAN SUPPORTED

Organizational Innovation – Ensure strong fiscal stewardship

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:

Proposed Millage Rates for Fiscal Year (FY) 2023:

General Millage	5.6636 mills
Capital Renewal & Replacement Millage	0.0499 mills
Pay-As-You-Go (PayGo) Millage	<u>0.1020 mills</u>
Total General Operating Millage	5.8155 mills
Voted Debt Service Millage	<u>0.2360 mills</u>
Total Combined Millage	6.0515 mills (same as last year)

MILLAGE RATE ANALYSIS

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

The proposed Total General Operating millage rate for FY 2023 of 5.8155 mills provides funding to offset increases for personnel costs, such as the annual required pension contributions; a 5 percent (%) Step increase for all Fraternal Order of Police (FOP) and International Association of Fire Fighters (IAFF) personnel; a 0-3% performance-based merit increase for all non-FOP and IAFF personnel; an increase in the City’s health insurance premiums for active employees and retirees; increases in other General Fund operating expenditures; an increase in Capital Renewal and Replacement and PayGo funding for critical Capital needs; and future collective bargaining agreements.

The “rolled-back” millage rate of 5.1376 for FY 2023 is the millage rate required to produce the same level of property tax revenues in the General Fund for FY 2023 as anticipated to be received in FY 2022.

Unfunded Capital Needs

It is important to note that the City’s FY 2023 - FY 2027 capital improvement plan (CIP) reflects \$1.6 billion of unfunded capital needs. The FY 2023 unfunded Capital Renewal and Replacement and PayGo projects total \$7.2 million and \$33.2 million, respectively. The FY 2022 dedicated Capital Renewal and Replacement and PayGo millage rates of 0.0235 and 0.0755 would generate \$916,000 and \$2.9 million. In previous years, the Capital Renewal and Replacement and PayGo funds generated up to \$3.5 million and \$7.5 million.

The total required FY 2023 debt service payment of approximately \$10.4 million, which is comprised of the remaining debt service required for the City’s 2011 G.O. Bonds of \$2.3 million, plus \$8.1 million attributed to the new G.O. Bond Program that was approved by the voters on November 6, 2018, requires the levy of a Voted Debt Service millage rate of 0.2360 mills. The proposed Voted Debt Service millage rate for FY 2023 is 0.0529 mills less than the adopted FY 2022 Voted Debt Service millage rate of 0.2889 mills.

The Administration recommends realigning the required Voted Debt Service millage rate reduction in FY 2023 of 0.0529 mills to the Capital Renewal and Replacement (50%) and PayGo (50%) millage rates, resulting in an estimated increase in Capital Renewal and Replacement revenue of \$1 million and PayGo revenue of approximately \$1 million in FY 2023. Overall, the Total Combined millage rate for FY 2023 is proposed to remain the same at 6.0515 mills, as summarized in the table below. If this recommendation is approved, the Administration recommends funding currently unfunded urgent capital projects, such as the Historic City Hall Renovation project, which is estimated to cost between \$2 million and \$4 million.

	FY 2022 Adopted	FY 2023 Proposed	Increase/ (Decrease)
General	5.6636	5.6636	0.0000
Capital Renewal & Replacement	0.0235	0.0499	0.0264
Pay-As-You-Go (PayGo)	0.0755	0.1020	0.0265
Total General Operating Millage	5.7626	5.8155	0.0529
Debt Service	0.2889	0.2360	(0.0529)
Total Combined Millage	6.0515	6.0515	0.0000

ANALYSIS OF PROPERTY VALUES IN MIAMI BEACH

On July 1, 2022, the City received the 2022 Certification of Taxable Value from the Miami-Dade County Property Appraiser. Overall, as summarized below, the City’s property values increased approximately \$4.6 billion, or 11.2%, from the 2021 Certified Taxable Values of \$41.9 billion to the 2022 Certified Taxable Values of \$46.5 billion, which include a \$3.9 billion, or 9.5%, increase in existing property values and a \$716.4 million increase in new construction values.

	July 2021 Certified	July 2022 Certified	\$ Change
Property Assessment			
Existing Values	41,866,674,794	45,828,304,965	3,961,630,171
New Construction	0	716,389,105	716,389,105
Total Citywide	41,866,674,794	46,544,694,070	4,678,019,276
City Center RDA	5,977,864,104	6,023,225,280	45,361,176
North Beach CRA	0	1,585,511,443	1,585,511,443
Citywide Total - Net of RDA and CRA	35,888,810,690	38,935,957,347	3,047,146,657
Property Tax Revenue Projection	199,632,000	224,462,000	24,830,000

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 2023 budget is determined by the 2022 Certification of Taxable Value, which has been set at \$46.5 million per mill levied. Florida Statutes permit a discount of up to five percent for early payment discounts, delinquencies, etc. Therefore, the 95% value of one mill citywide is approximately \$44.2 million. Excluding the Center City RDA and newly created North Beach CRA tax increment available to the General Fund, the value of one mill is approximately \$41.0 million, which at 95% to permit for early payment discounts, delinquencies, etc., is approximately \$39.0 million.

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 3.0% 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, 2022, the median value of homesteaded property in Miami Beach is \$240,385 while the average is \$664,556. The impact of the City’s proposed FY 2023 Total Combined millage rate of 6.0515 mills on the median homesteaded property within the City of Miami Beach would be an increase of \$119 while the impact to the average value homesteaded property within the City of Miami Beach would be an increase of \$578 as summarized in the table below.

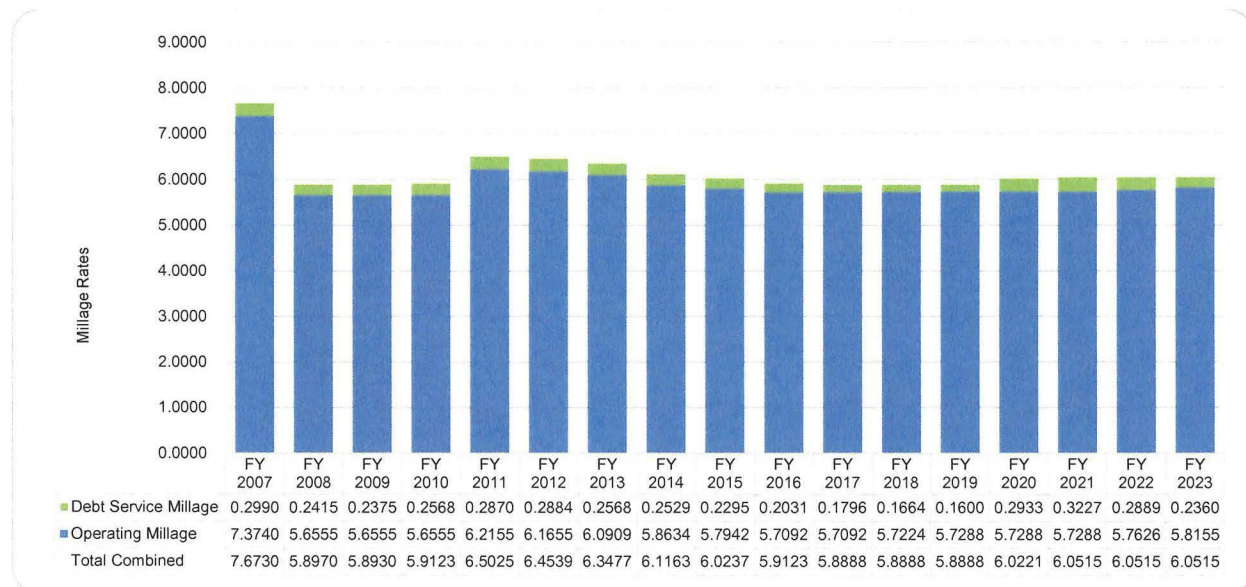
Homesteaded Properties				
	FY 2022		FY 2023	
	Median**	Average**	Median**	Average**
Preliminary Taxable Value**	\$ 220,738	\$ 569,192	\$ 240,385	\$ 664,556
City of Miami Beach				
Operating	\$ 1,272	\$ 3,280	\$ 1,398	\$ 3,865
Voted Debt	64	164	57	157
Total Miami Beach	\$ 1,336	\$ 3,444	\$ 1,455	\$ 4,022
\$ Change in Taxes				
Operating			\$ 126	\$ 585
Voted Debt			(7)	(7)
Total Miami Beach			\$ 119	\$ 578

***Source: Miami-Dade County Property Appraiser's – 2021 and 2022-average-median-homestead-residential-values files*

Historical Perspective

The table below outlines the City's millage rate trend. For FY 2023, the City's Total Combined millage rate is proposed to remain flat at 6.0515 mills from the Total Combined millage rate adopted for FY 2022.

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, 2022), 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 2023. 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 2023 millage rate, the Mayor and City Commission may, at any time prior to final adoption, lower the proposed millage rates. However, increasing the proposed millage rate may only be accomplished by completing an expensive mailing and advertising process to every property owner in the City of Miami Beach. The City’s proposed millage rates, as well as those of other taxing authorities, will be included in the Truth-in-Millage (TRIM) statement sent to each property owner in the City of Miami Beach by the Miami Dade County Property Appraiser on August 24, 2022.

MAXIMUM MILLAGE DETERMINATION

For FY 2023, the Total General Operating millage rate is proposed at 5.8155 mills, which reflects an adjustment of 0.0529 mills based on the realignment of the FY 2023 Voted Debt Service millage rate reduction of 0.0529 mills. Based on the July 1, 2022 Certification of Taxable Value received from the Miami-Dade County Property Appraiser, the levy of 5.8155 mills would generate approximately \$226.5 million in General Fund property tax revenues, which is an increase of approximately \$26.9 million over the budgeted FY 2022 General Fund property tax revenues of \$199.6 million (net of the City Center RDA and newly created North Beach CRA).

Adoption of the proposed Total General Operating millage rate of 5.8155 mills for FY 2023 requires 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, 2022, 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, 2022. 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 the City of 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 scheduled to be held on Wednesday, September 28, 2022, at 5:01 p.m.

FIRST PUBLIC HEARING

The first public hearing on the proposed operating millage rate and budget for FY 2023 must be held no later than 80 days, or earlier than 65 days, from the start of the TRIM calendar (July 1st). 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, 2022 and September 18, 2022. The following dates are unavailable for the following reasons:

September 4 and 11	Sundays
September 7	Miami-Dade County School Board 2 nd Public Hearing
September 8 and 20	Miami-Dade County 1 st and 2 nd Public Hearing

Of the remaining days available, it is recommended that the first public hearing be held on Wednesday, September 14, 2022, at 5:01 P.M., in the City Commission Chambers at 1700 Convention Center Drive, 3rd Floor, Miami Beach, Florida 33139.

ATH/JW/TOS