MIAMIBEACH

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: September 14, 2022

SUBJECT: **A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NORMANDY SHORES LOCAL GOVERNMENT NEIGHBORHOOD IMPROVEMENT DISTRICT ADOPTING THE TENTATIVE AD VALOREM MILLAGE RATE OF 0.9717 MILLS FOR FISCAL YEAR 2023 FOR THE NORMANDY SHORES LOCAL GOVERNMENT NEIGHBORHOOD IMPROVEMENT DISTRICT, WHICH IS NINE AND SIX TENTHS PERCENT (9.6%) MORE THAN THE "ROLLED-BACK" RATE OF 0.8864 MILLS, SUBJECT TO A SECOND PUBLIC HEARING SCHEDULED ON WEDNESDAY, SEPTEMBER 28, 2022, AT 5:02 P.M.**

STRATEGIC PLAN SUPPORTED

Organizational Innovation – Ensure strong fiscal stewardship

ADMINISTRATION RECOMMENDATION

The Administration recommends that the Mayor and City Commission, acting in its capacity as the Board of Directors for the Normandy Shores Local Government Neighborhood Improvement District, adopt the attached Resolution which authorizes the City Manager to transmit the following information to the Miami-Dade County Property Appraiser:

1) The Tentatively Adopted Millage Rate for the Normandy Shores Neighborhood Improvement District for FY 2023:

   General Operating 0.9717 mills (0.0942 decrease from last year)

2) The second public hearing to consider the proposed Normandy Shores Neighborhood Improvement District operating millage rate and final budget for Fiscal Year 2023 shall be Wednesday, September 28, 2022, at 5:02 p.m.

On July 1, 2022, the City received the 2022 Certification of Taxable Value from the Miami-Dade County Property Appraiser for the Normandy Shores Local Government Neighborhood Improvement District indicating that the taxable value was approximately $305.5 million, including $7.1 million of new construction. Overall, this represents an increase of approximately $56.6 million, or 22.8 percent (%), over the 2021 Certification of Taxable Value of $248.9 million provided by the Miami-Dade County Property Appraiser as of July 1, 2021 for the Normandy Shores Local Government Neighborhood Improvement District. It is important to note that the final 2021 tax roll for the Normandy Shores Local Government Neighborhood Improvement District of $248.1 million is approximately $0.8 million, or 0.3%, lower than the 2021 Certification of Taxable Value due to appeals, adjustments, etc.

	July 2021 Certified	July 2022 Certified	$ Change	% Change
Property Assessment				
Existing Values	248,856,254	298,359,433	49,503,179	19.9%
New Construction	0	7,113,479	7,113,479	100.0%
Total Normandy Shores	248,856,254	305,472,912	56,616,658	22.8%

BACKGROUND

The Normandy Shores Local Government Neighborhood Improvement District, which is a dependent taxing district of its principal, the City of Miami Beach, was established in 1994 to provide continual 24-hour security to this gated community; FY 2023 represents its twenty-ninth year of operation.

The District was established by Ordinance 93-2881 and has the authority "to levy an ad-valorem tax on real and personal property of up to two mills, provided that no parcel of property will be assessed more than $500 annually for such improvements."

On September 11,1997, Resolution 97-22522 adopted the District's Tentative FY 1998 millage rate. The accompanying memorandum noted that the City had been funding the gap between the revenues generated from the ad valorem taxes and the budget, that the City could not continue to subsidize this budget and that the District should be self-sustaining. This memorandum also noted that Resolution 97-22487 included the City Commission's direction to the City Clerk to take such steps as may be necessary to hold a special referendum for the purpose of authorizing special assessments to raise $41,915 for operating purposes within the District for FY 1998.

On September 23, 1998, Resolution 98-22902 adopted the District's FY 1999 budget. The accompanying memorandum noted that the City had been funding the gap between the revenues generated from the ad valorem taxes and the budget and that a determination was reached that the City would fund 35% of the annual cost of the community guard gate. It also stated that the cost would eventually be funded by the golf course and that the City Attorney's Office would review the issue of the dependent status of the District, and the City would continue supplementing the budget at current levels until both issues are resolved.

On September 25, 2002, Ordinance 2002-3380 adopted the removal of the $500 annual cap per parcel. The accompanying memorandum noted that the City's 35% contribution will be maintained.

In 2015, as part of a "clean up" Ordinance to repeal three other safe neighborhood districts that were no longer active, the Mayor and City Commission enacted Ordinance 2015-3928. With respect to the Normandy Shores District, because the prior versions of the ordinance had not been codified as part of the consolidated legislation of the City, the 2015 Ordinance sought to codify the legislation, but in so doing, inadvertently re-adopted the original 1993 Ordinance - which included an ad valorem cap of $500 per property - and not the correct, and most recent, version of the legislation, the 2002 Ordinance, which deleted the cap of $500 per property.

In order to correct the inadvertent error in the 2015 Ordinance and eliminate the $500 per property cap, as intended since 2002, the Mayor and City Commission adopted Ordinance 2020-4386 on December 9, 2020.

At the July 23, 2021 Finance and Economic Resiliency Committee meeting, the Committee recommended the elimination of the 35% City subsidy totaling $91,700 in the FY 2022 preliminary budget, while maintaining the City's 50% contribution, or $30,000, toward the total cost of $60,000 for the security rover.

On July 28, 2021, the City Commission, through Resolution No. 2021-31819, approved the recommendation of the Finance and Economic Resiliency Committee (FERC) eliminating the City's 35% subsidy, while maintaining the City's 50% contribution, or $30,000, toward the total cost of $60,000 for the security rover.

PROCEDURE

The operating millage and budget for this dependent special taxing district must be adopted in accordance with Florida Statutes. This procedure requires that this Resolution be considered immediately after the millage and budget of the principal taxing authority, i.e., the City of Miami Beach.

It also requires that a tentative millage be adopted first. This is accomplished by adopting a Resolution which states the percent increase or decrease over the "Rolled-back" rate, and the date, time, and place of the second public hearing scheduled to adopt the final millage rate. Following this, another Resolution which tentatively adopts the Normandy Shores District operating budget must be approved (see accompanying District Budget agenda item for details).

Florida Statute requires that the name of the taxing authority, the rolled-back rate, the percentage increase, and the millage rate be publicly announced before adoption of the millage Resolution.

Proposed Budget & Millage

The Normandy Shores Local Government Neighborhood Improvement District budget proposed for FY 2023, as reflected in Attachment A, is $282,000, which is an increase of $30,000, or 11.9%, from the adopted FY 2022 budget of $252,000 and is comprised of the following line-items:

Items Included in FY 2023 Expenditures	$
Contracted Security Guard Services for Guardhouse and 50% of Rover	214,000
Gate Maintenance and Repairs	25,500
Set-aside for Renewal and Replacement of Capital Assets	20,000
Set-aside for Reserve	10,000
Guardhouse Utilities	7,000
Guardhouse Janitorial Services	4,000
OIG Internal Service Charges	1,000
Other Miscellaneous Operating Expenditures	500
Total	**$282,000**

The proposed FY 2023 ad valorem millage rate, which was approved by the Normandy Shores Homeowners' Association on July 5, 2022, and is recommended by the Administration for FY 2023, is 0.9717 mills, which is 0.0942 mills, or 8.8%, less than the adopted FY 2022 millage rate of 1.0659 mills. Based on the 2022 Certification of Taxable Value for the Normandy Shores Local Government Neighborhood Improvement District provided by the Miami-Dade Property Appraiser

as of July 1, 2022, this proposed tax levy would generate proceeds of $296,828, which will be budgeted at approximately 95.0%, or $281,987 (rounded to $282,000), to account for early payment discounts, delinquencies, etc. This millage rate will fund the proposed FY 2023 budget summarized above for the District, with no City subsidy.

Statutory Requirement

Florida Statute 200.065, entitled "Method of Fixing Millage," establishes specific guidelines that must be used by all local government entities, including dependent taxing districts like Normandy Shores in setting its millage (property tax) rates. Not unlike its principal taxing authority (City of Miami Beach), Normandy Shores is also required to transmit within 35 days from receipt of the Certification of Taxable Value (received July 1, 2022), to the Miami-Dade County Property Appraiser, a proposed operating millage rate, the calculated "rolled-back" rate and the date, time, and place of the first public hearing to consider the proposed operating millage rate and budget for FY 2023.

The "rolled-back" rate is the millage rate required to produce the same level of property tax revenue in FY 2023 as collected in FY 2022. The rate is calculated at 0.8864 mills, which is 0.1795 mills less than the millage rate of 1.0659 adopted for FY 2022. The "rolled-back" millage rate tax levy would generate proceeds of $270,771. The difference between the proposed millage rate for FY 2023 and the "rolled-back" rate levy is $26,057.

After setting the proposed operating millage rate for the Normandy Shores Local Government Neighborhood Improvement District, the City Commission may, at any time prior to the final adoption, lower the proposed millage rate. However, any increase above the proposed rate of 0.9717 mills for FY 2023, if adopted, would require an expensive mailing and advertising process to each property owner in the Normandy Shores Local Government Neighborhood Improvement District. Therefore, this proposed millage rate is viewed as the ceiling.

Further, per 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 Commission is required to approve a millage up to 0.9407 mills (equivalent to a 6.13% increase in Property Tax revenues). The 1.0613 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 Commission is required to approve a millage up to 1.0348 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 1.0348 mills.

<u>Adoption of the proposed FY 2023 millage rate of 0.9717 mills for the Normandy Shores Local Government Neighborhood Improvement District would, therefore, require a two-thirds approval (5 of 7 votes) by the City Commission per the State of Florida's Truth-in-Millage (TRIM) requirements.</u>

It must be noted that, in accordance with Florida Statutes, there is an operating cap of 10 mills which cannot be exceeded without voter approval. Combining both millage rates from the

dependent district (0.9717) and its principal taxing authority (5.8155) totals 6.7872 mills, which is 3.2128 mills less than the statutory cap of 10 mills.

CONCLUSION

The City Commission, acting in its capacity as the Board of Directors of the Normandy Shores Local Government Neighborhood Improvement District, should adopt the attached Resolution which establishes a tentative millage rate of 0.9717 mills for Fiscal Year 2023 and schedules the second and final public hearing on Wednesday, September 28, 2022, at 5:02 p.m.

Attachment A – FY 2023 Proposed Normandy Shores Budget

ATH/JW/TOS

ATTACHMENT A

FY 2023 Normandy Shores District Budget

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Actuals [1]	FY 2022 Adopted Budget [2]	FY 2023 Proposed Budget	$ Variance FY 2023 Proposed vs FY 2022 Adopted	% Variance FY 2023 Proposed vs FY 2022 Adopted
REVENUES							
Residents	164,450	173,550	17,900	252,000	282,000	30,000	11.9%
City	88,550	93,450	93,100	0	0	0	0.0%
Restitutions [3]	595	1,662	1,677	0	0	0	0.0%
Miscellaneous/Interest	1,408	1,131	80	0	0	0	0.0%
Total	**$ 255,003**	**$ 269,793**	**$ 112,757**	**$ 252,000**	**$ 282,000**	**$ 30,000**	**11.9%**
EXPENDITURES							
Internal Service - Security Guard Services [4]	210,000	217,000	210,000	214,000	214,000	0	0.0%
Janitorial Services	1,067	3,892	3,877	4,000	4,000	0	0.0%
Gate Repairs (AAA Repairs)	19,170	31,099	24,291	20,000	20,500	500	2.5%
Other Repairs and Maintenance	0	0	0	4,000	5,000	1,000	25.0%
Internal Service - OIG Set-Aside [5]	0	0	0	1,000	1,000	0	0.0%
Utilities (Electricity & Telephone) [6]	1,723	5,835	5,655	7,000	7,000	0	0.0%
RFID System	0	42,199	0	0	0	0	0.0%
LPR Camera System	0	0	35,554	0	0	0	0.0%
Renewal & Replacement Set-Aside [7]	0	0	0	0	20,000	20,000	100.0%
Other Expenditures [8]	5,957	936	4,367	2,000	500	(1,500)	-75.0%
Transfer to Reserve [9]	0	0	0	0	10,000	10,000	100.0%
Total	**$ 237,917**	**$ 300,961**	**$ 283,744**	**$ 252,000**	**$ 282,000**	**$ 30,000**	**11.9%**
Surplus / (Shortfall)	**$ 17,086**	**$ (31,168)**	**$ (170,987)**	**$ 0**	**$ 0**	**$ 0**	
REQUIRED MILLAGE	**0.8161**	**0.8161**	**0.0773**	**1.0659**	**0.9717**	**(0.0942)**	**-8.8%**
Existing Values [10]	209,647,105	219,807,591	233,297,993	245,073,256	298,359,433	53,286,177	21.7%
New Construction [10]	2,458,268	3,896,854	9,459,518	3,782,998	7,113,479	3,330,481	88.0%
Total [10]	**212,105,373**	**223,704,445**	**242,757,511**	**248,856,254**	**305,472,912**	**56,616,658**	**22.8%**
Value of 1 Mill	212,105	223,704	242,758	248,856	305,473	56,617	22.8%
95% of 1 Mill	201,500	212,519	230,620	236,413	290,199	53,786	22.8%

Footnotes:

[1] The FY 2021 millage and budget was adopted to comply with the $500 cap codified on the levy of property taxes per parcel for operations of the Normandy Shores Local Government Neighborhood Improvement District, which resulted in a significant reduction in revenue of $155,000 based on the decrease in the FY 2021 millage rate from the proposed millage of 0.7497 mills to 0.0773 mills. To offset the reduction in revenue in FY 2021, available fund balance projected in the Normandy Shores Fund of $135,000 was appropriated, the budget reduced by $20,000, and the City's original 35.0% subsidy of $93,100 maintained for FY 2021

[2] Effective FY 2022, the City Commission adopted Ordinance 2020-4236 eliminating the $500 per parcel cap and Resolution No. 2021-31819 eliminating the City's annual subsidy of 35.0% for operations of the Normandy Shores Local Government Neighborhood Improvement District, while maintaining the City's 50.0% contribution towards the cost of the security rover

[3] Per the Facilities & Fleet Management Department, necessary gate repairs funded outside of the District's budget were made and restitutions totaling $8,828.56 collected during FY 2022

[4] Security guard services for FY 2023 based on current hourly rate of $21.03 for services provided 24 hours/day, 7 days/week, for guardhouse, plus 49 hours a week for a security rover at $21.03 per hour and $2,880 fee for rental of a golf cart (the hourly rate is subject to change for living wage if adopted by the City Commission for FY 2023). The cost of the security rover and rental of golf cart is split-funded between Normandy Shores (50%) via Prop Mgmt. chargeback and the City (50%)

[5] Internal Service - OIG based on FY 2023 allocations

[6] Utilities for FY 2023 based on FY 2022 actuals to date, plus projected increase of 4% in electricity based on notification from FPL on rate increase

[7] FY 2023 Renewal and Replacement Set-Aside of $20,000 for future renewal and replacement of Normandy Shores guardhouse assets

[8] Other Expenditures for FY 2023 based on annual Special Taxing District state fee paid to the Department of Economic Opportunity

[9] FY 2023 Transfer to Reserve of $10,000 budgeted to offset negative fund balance of $9,677 as of September 30, 2021

[10] FY 2023 values based on Certified Values received July 1, 2022 from the Miami-Dade County Property Appraiser