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: July 26, 2023

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 2024; 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:

1) Proposed Millage Rates for Fiscal Year (FY) 2024:

| | |
|---|---|
| General Millage | 5.6636 mills |
| Capital Renewal & Replacement Millage | 0.0499 mills |
| Pay-As-You-Go (PayGo) Millage | 0.1020 mills |
| Total General Operating Millage | 5.8155 mills (same as last year) |
| Voted Debt Service Millage | 0.3326 mills |
| Total Combined Millage | 6.1481 mills |

2) "Rolled-Back" Rate (Truth-in-Millage) 5.1681 mills

3) The first public hearing to consider the proposed millage rates and budget for FY 2024 shall be held on Wednesday, September 13, 2023, at 5:01 p.m., in the City Commission Chambers at 1700 Convention Center Drive, 3rd Floor, Miami Beach, Florida 33139.

## PROPERTY VALUES

On July 1, 2023, the City received the 2023 Certification of Taxable Value from the Miami-Dade County Property Appraiser. As summarized below, the City's overall property values increased approximately $5.0 billion, or 10.8%, from the 2022 Certification of Taxable Value of $46.5 billion to the 2023 Certification of Taxable Value of $51.5 billion, which includes a $4.8 billion, or 10.3%, increase in the City's existing values and a $0.2 billion increase in new construction values.

| | July 2022 Certified | July 2023 Certified | $ Change | % Change |
|---|---|---|---|---|
| Property Assessment | | | | |
| Existing Values | $46,544,694,070 | $51,346,874,323 | $4,802,180,253 | 10.3% |
| New Construction | 0 | 213,897,907 | 213,897,907 | 100.0% |
| **Total Citywide** | **$46,544,694,070** | **$51,560,772,230** | **$5,016,078,160** | **10.8%** |
| City Center RDA | $6,023,225,280 | $6,188,026,922 | $164,801,642 | 2.7% |
| North Beach CRA | 1,585,511,443 | 1,730,558,116 | 145,046,673 | 9.1% |
| **Total Citywide – Net of RDA & CRA** | **$38,935,957,347** | **$43,642,187,192** | **$4,706,229,845** | **12.1%** |

## 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 a mill is defined as $1.00 of ad valorem tax for every $1,000 of assessed property value. For the City of Miami Beach, the value of each mill for the FY 2024 budget is determined by the 2023 Certification of Taxable Value that is set at approximately $51.5 million per mill levied. Florida Statutes permit a discount of up to five percent for early payment discounts, delinquencies, etc. Therefore, the value of one mill citywide at 95% is approximately $48.9 million. Excluding the Center City RDA and the North Beach CRA, the value of one mill is approximately $43.6 million, which at 95% is approximately $41.5 million to account for early payment discounts, delinquencies, etc.

## PROPOSED MILLAGE RATE

There are two main components to the City's Total Combined millage rate, which are 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 debt service required for the City's outstanding General Obligation (G.O.) bonds.

The proposed Total General Operating millage rate for FY 2024 of 5.8155 mills provides funding to offset increases in 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) positions, a 0-3% performance-based merit increase for all non-FOP and IAFF positions, an increase in the City's health insurance premiums for active employees and retirees, as well as increases in other General Fund operating expenditures.

The Voted Debt Service millage rate of 0.3326 mills provides funding of the annual debt service required for the Series 2019 G.O. Bonds, as well as the new Series 2023A&B Arts and Culture G.O. Bonds, that were approved by the voters on November 6, 2018 and November 8, 2022, respectively, through the assessment, levy, and collection of ad-valorem tax on all property within the City.

On November 6, 2018, the City of Miami Beach voters approved the issuance of a not to exceed amount of $439.0 million in G.O. bonds 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.

On November 8, 2022, the City of Miami Beach voters approved the issuance of a not to exceed amount of $159.0 million in Arts and Culture G.O. bonds to improve facilities for resiliency of arts and cultural institutions throughout the City, including museums, performance venues, artistic playgrounds, senior/cultural centers, botanical garden, aquatic sculpture park, and related artist/workforce housing.

The proposed Voted Debt Service millage rate for FY 2024 of 0.3326 mills is 0.0966 mills more than the adopted FY 2023 Voted Debt Service millage rate of 0.2360 mills and funds the required $16.3 million payment for FY 2024 that is comprised of the annual debt service for the Series 2019 G.O. Bonds and the annual debt service for the new Series 2023A&B Arts and Culture G.O. Bonds.

| | FY 2023 Adopted | FY 2024 Proposed | Inc / (Dec) |
|---|---|---|---|
| General | 5.6636 | 5.6636 | 0.0000 |
| Capital Renewal & Replacement | 0.0499 | 0.0499 | 0.0000 |
| Pay-As-You-Go (PayGo) | 0.1020 | 0.1020 | 0.0000 |
| **Total General Operating Millage** | **5.8155** | **5.8155** | **0.0000** |
| Debt Service | 0.2360 | 0.3326 | 0.0966 |
| **Total Combined Millage** | **6.0515** | **6.1481** | **0.0966** |

## 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 last year's values from the Miami-Dade County Property Appraiser (as of July 1, 2022), the median homesteaded property value in the City of Miami Beach was $240,385 while the average homesteaded property value was $664,556. For an existing homesteaded property in the City of Miami Beach that was not sold and/or did not have any improvements or additions completed in the last year, the impact of the City's proposed FY 2024 Total Combined millage

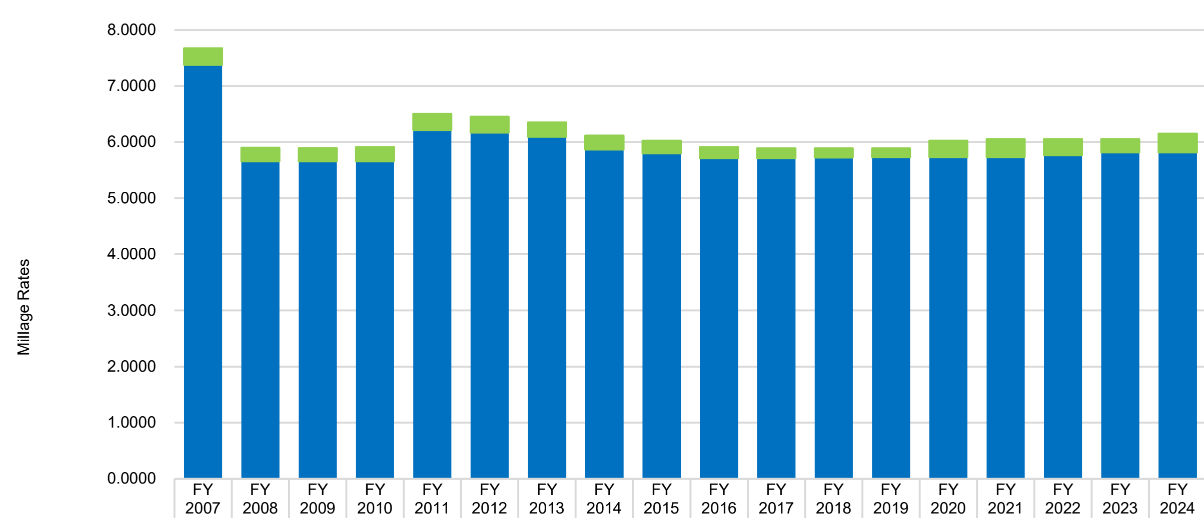
<u>rate of 6.1481 mills would be an increase of approximately $67 for the median homesteaded property while the impact for the average homesteaded property would be $187 pursuant to the SOH cap.</u>

| Homesteaded Properties | | | | |
|---|---|---|---|---|
| | FY 2023 | | FY 2024 | |
| | Median** | Average** | Median | Average |
| **Preliminary Taxable Value**** | **$ 240,385** | **$ 664,556** | **$ 247,597** | **$ 684,493** |
| **City of Miami Beach** | | | | |
| Operating | $ 1,398 | $ 3,865 | $ 1,440 | $ 3,981 |
| Voted Debt | 57 | 157 | 82 | 228 |
| **Total Miami Beach** | **$ 1,455** | **$ 4,022** | **$ 1,522** | **$ 4,209** |
| **$ Change in Taxes** | | | | |
| Operating | | | **$ 42** | **$ 116** |
| Voted Debt | | | **25** | **71** |
| **Total Miami Beach** | | | **$ 67** | **$ 187** |
| ***Source: Miami-Dade County Property Appraiser's – 2022 average-median-homestead-residential-values files* | | | | |

### Historical Perspective

The table below outlines the City's historical millage rate trend. <u>For FY 2024, the City's Operating millage rate is proposed to remain flat at 5.8155 mills, which is the same rate adopted for FY 2023</u>.

**<u>Millage Rate History</u>**




| | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Debt Service Millage | 0.2990 | 0.2415 | 0.2375 | 0.2568 | 0.2870 | 0.2884 | 0.2568 | 0.2529 | 0.2295 | 0.2031 | 0.1796 | 0.1664 | 0.1600 | 0.2933 | 0.3227 | 0.2889 | 0.2360 | 0.3326 |
| Operating Millage | 7.3740 | 5.6555 | 5.6555 | 5.6555 | 6.2155 | 6.1655 | 6.0909 | 5.8634 | 5.7942 | 5.7092 | 5.7092 | 5.7224 | 5.7288 | 5.7288 | 5.7288 | 5.7626 | 5.8155 | 5.8155 |
| Total Combined | 7.6730 | 5.8970 | 5.8930 | 5.9123 | 6.5025 | 6.4539 | 6.3477 | 6.1163 | 6.0237 | 5.9123 | 5.8888 | 5.8888 | 5.8888 | 6.0221 | 6.0515 | 6.0515 | 6.0515 | 6.1481 |

## 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 Statute, the City is required, within 35 days of receipt of the "Certification of Taxable Value" (received July 1, 2023), 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 2024. 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 2024 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) statements sent to each property owner in the City of Miami Beach by the Miami Dade County Property Appraiser by August 24, 2023.

## MAXIMUM MILLAGE DETERMINATION

For FY 2024, the Total General Operating millage rate is proposed at 5.8155 mills. Based on the 2023 Certification of Taxable Value received from the Miami-Dade County Property Appraiser, the levy of 5.8155 mills would generate approximately $252.9 million in General Fund property tax revenues, which is an increase of approximately $26.4 million over the budgeted FY 2023 General Fund property tax revenues of $226.5 million (this excludes the City Center RDA and North Beach CRA).

Adoption of the proposed Total General Operating millage rate of 5.8155 mills for FY 2024 requires a two-thirds approval (5 of 7 votes) by the Mayor and City Commission per the State of Florida's Truth-in-Millage (TRIM) requirements.

By August 4, 2023, I am required to 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 by August 24, 2023. 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.

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 27, 2023, at 5:01 p.m.

**FIRST PUBLIC HEARING**

The first public hearing on the proposed operating millage rate and budget for FY 2024 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 hearings; 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, 2023 and September 18, 2023. The following dates are unavailable for the following reasons:

| | |
|---|---|
| September 3, 10, and 17 | Sundays |
| September 6 | Miami-Dade County School Board 2nd Public Hearing |
| September 7 | Miami-Dade County 1st Public Hearing |

Of the remaining days available, it is recommended that the first public hearing be held on Wednesday, September 13, 2023, at 5:01 P.M., in the City Commission Chambers at 1700 Convention Center Drive, 3rd Floor, Miami Beach, Florida 33139.

ATH/JG/TOS