



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

COMMISSION MEMORANDUM

TO: Mayor Philip Levine and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: July 26, 2017

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 (FY) 2017/18; 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 FY 2017/18:

Operating Millage	5.7224 mills (0.0132 increase from last fiscal year)
Voted Debt Service	<u>0.1664 mills (0.0132 decrease from last fiscal year)</u>
Total Combined Millage	5.8888 mills (same as last fiscal year)

2) “Rolled-Back” Rate (Truth in Millage) 5.3174 mills

3) The first public hearing to consider the proposed millage rates and tentative budgets for FY 2017/18 shall be Wednesday, September 13, 2017 at 5:01 p.m., in the City Commission Chambers, City Hall, 1700 Convention Center Drive, Miami Beach, Florida.

The “Rolled-Back” millage rate for FY 2017/18 is the millage rate required to produce the same level of property tax revenues in the General Fund in FY 2017/18 as anticipated to be received in FY 2016/17. It is important to note that the January 1, 2016, tax roll Citywide declined by almost \$701.4 million between the July 1, 2016 certified valuation and the July 1, 2017 final valuation due to appeals, adjustments, etc., which is part of the reason the FY 2017/18 “rolled-back rate” is 0.3918 mills lower than the FY 2016/17 millage rate and lower than it would be if the rollback rate was only adjusted for the increase in revenues generated by higher property values. The area outside of City Center RDA, which impacts General Fund revenues, declined in value by approximately \$318.1 million during the same period of time.

The proposed millage provides funding to offset increases to the FY 2016/17 Current Service Level (CSL) Budget for personnel costs such as a 3 percent cost of living increase;

a 5% step increase for all Fraternal Order of Police and International Association of Fire Fighters personnel; an average 2 percent performance-based merit increase for all non-Fraternal Order of Police and International Association of Fire Fighters personnel; additional premiums for members of the Fraternal Order of Police and International Association of Fire Fighters; the impact of annualized costs for expenditures added pursuant to Commission direction during the current FY 2016/17; and higher operating and internal services funds expenditures.

In FY 2016/17, the Administration adopted a total combined millage rate for the City of Miami Beach of 5.8888, which is the lowest rate in at least 19 years.

The proposed operating millage for FY 2017/18 of 5.7224 is 0.0132 mills higher than the FY 2016/17 operating millage of 5.7092. The proposed voted debt service millage rate of 0.1664, which is based on projected debt service costs for FY 2017/18, is 0.0132 mills lower than the FY 2016/17 voted debt service millage of 0.1796. The proposed total combined millage of 5.8888 for FY 2017/18 is equivalent to that of the total combined millage for FY 2016/17.

City of Miami Beach Millage Rates	FY 2016/17	FY 2017/18	Inc / (Dec)	% Inc / (Dec)
Operating Millage	5.7092	5.7224	0.0132	0.23%
Voted Debt Service Millage	0.1796	0.1664	(0.0132)	-7.35%
Total Combined Millage	5.8888	5.8888	0.0000	0.00%

ANALYSIS OF PROPERTY VALUES IN MIAMI BEACH

On July 1, 2017, the City received the 2017 Certification of Taxable Value from the Miami-Dade County Property Appraiser's Office stating that the taxable value for the City of Miami Beach is \$37.4 billion, which includes \$859 million in new construction. Property taxes comprise approximately half of the total General Fund revenues.

The following table shows the difference between the preliminary and certified values, and the impact on FY 2017/18 property tax revenue projections.

	June 1st Preliminary	July 1st Certified
Property Assessment		
Existing Values	36,482,000,000	36,538,197,107
New Construction	812,000,000	858,865,383
Total	37,294,000,000	37,397,062,490
City Center RDA	6,175,000,000	5,702,556,459
Citywide Total	31,119,000,000	31,694,506,031
Property Tax Revenue Projection	172,347,000	175,363,000
Property Tax Revenue Projection Variance		3,016,000

The June 1st preliminary property tax revenue projections assumed the City Center RDA would increase by 10 percent over 2016 based on historical trends. However, based on the July 1st certified values, the City Center RDA only increased by 1.6% compared to 2016, thereby increasing the citywide total by a greater percentage than originally projected. The result was an additional \$3,016,000 in projected property tax revenues for the General Fund.

The comparative assessed values for the City Center RDA district increased from \$5.6 billion to \$5.7 billion, which is an increase of \$89.8 million or 1.6 percent over the 2016 certified values. Citywide values, excluding the City Center RDA district, increased from \$29.1 billion to \$31.7 billion, which is an increase of \$2.6 billion or 8.97 percent over the 2016 certified values.

Comparative Assessed Values Citywide vs. City Center RDA

	January 1, 2016 Value (in billions)				January 1, 2017 Value (in billions)		
	July 1, 2016 (FY2016/17 Budget)	Revised Value (FY2016/17 Projection)	Change in 2016 Values	% Chg.	July 1, 2017 (FY2017/18 Budget)	\$ Change (in billions)	% Chg.
Total Citywide	\$ 34.698	\$ 33.996	\$ (0.702)	-2.02%	\$ 37.397	\$ 2.699	7.78%
RDA - City Center	\$ 5.613	\$ 5.295	\$ (0.318)	-5.67%	\$ 5.703	\$ 0.090	1.60%
Citywide - Net of City Center	\$ 29.085	\$ 28.701	\$ (0.384)	-1.32%	\$ 31.694	\$ 2.609	8.97%

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 each \$1,000 of property value. For the City of Miami Beach, the value for each mill is determined by the 2017 Certification of Taxable Value and has been set at \$37.4 million. Florida Statutes permit a discount of up to five percent for early payment discounts, delinquencies, etc. Therefore, the 95 percent value of the mill is \$35.5 million. Net of Center City RDA tax increment available to the General Fund, the value of one mill at 95 percent is \$30.6 million.

GENERAL FUND CURRENT SERVICE LEVEL BUDGET DEVELOPMENT

At the Commission Retreat on June 22, 2017, the Commission was briefed regarding the preliminary General Fund Current Service Level (CSL) budget. The CSL represents the cost of providing the same level of services as in the prior year and serves as the baseline of funding for the budget process. The Commission was also briefed on the updated CSL budget at the July 10th and July 21st Finance & Citywide Projects Committee budget meetings.

Overall, CSL expenditures for FY 2017/18 have increased by \$11.9 million, primarily due to the following personnel expenditures, the majority of which are contractually required:

- 2 percent merit pay for all groups except Police and Fire : \$2.2 million
- 5 percent Step for Police and Fire: \$2.9 million
- 3 percent Cost of Living Adjustment effective, July 2018: \$1 million
- Increase in Citywide Health and Life Insurance: \$2.56 million
- Increase in Annual Required Contribution for Fire & Police Pension: \$1.9 million
- Increase in Annual Required Contribution for Non-Police & Fire Pension: \$2.2 million

In addition, the CSL budget includes:

- Increase in Debt Service payments: \$700,000
- \$3 million decrease in funds set aside for future year expenditures
- Increase in Operating expenditures: \$875,000, which includes \$343,000 in expenditures related to the insourcing of the North Shore Tennis Center; \$133,000 related to the increased cost of shelter beds for the homeless; and \$110,000 for the maintenance and repair of City sidewalks and light poles.

These expenditures do not reflect additional savings from potential efficiencies or reductions. The proposed CSL is based on the certified July 1st property values and reflects a revenue increase of \$15.5 million and an expenditure increase of \$11.9 million for a net surplus of approximately \$3.6 million.

The remaining steps in the decision-making process include the first public hearing on the FY 2017/18 Proposed Budget, which is scheduled on September 13, 2017 at 5:01 pm and a second public hearing scheduled on September 25, 2017 at 5:01 pm.

DETERMINING THE VOTED DEBT SERVICE MILLAGE LEVY

The general obligation debt service payment for FY 2017/18 is projected to be \$5.914 million. Based on the July 1, 2017 Certified Taxable Value from the Property Appraiser, this debt service payment would require the levy of a voted debt service millage of 0.1664 mills, which represents a decrease of 0.0132 mills over the prior year voted debt service millage of 0.1796.

IMPACT OF PROPOSED MILLAGE LEVY IMPACT ON PROPERTY OWNERS

Homesteaded Properties

Amendment 10 to the State Constitution took effect on January 1, 1995 and limited the increase in assessed value of homesteaded property to the percentage increase in the Consumer Price Index (CPI) or three percent (3%), whichever is less.

Based on the January 1, 2017 homesteaded property values as of July 1, 2017, the median value of homesteaded property in Miami Beach was \$182,343 and the average was \$463,617. The impact of the millage rate adjustment to homesteaded properties would be \$88 for the median and \$210 for the average value homesteaded property as reflected in the table below.

Homesteaded Properties				
	FY 2016/17		FY 2017/18	
	Median	Average	Median	Average
Preliminary Taxable Value*	\$ 167,342	\$ 427,845	\$ 182,343	\$ 463,617
City of Miami Beach				
Operating	\$ 955	\$ 2,443	\$ 1,043	\$ 2,653
Voted Debt	\$ 30	\$ 77	\$ 30	\$ 77
Total Miami Beach	\$ 985	\$ 2,519	\$ 1,073	\$ 2,730
\$ Change in Taxes				
Operating			\$ 88	\$ 210
Voted Debt			\$ 0	\$ 0
Total Miami Beach			\$ 88	\$ 210

* Source: Miami-Dade County Property Appraiser's Office: 2016 and 2017 Preliminary Average Median Homestead Residential Values Report

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 1999/00 and FY 2009/10, property tax rates declined approximately 2.8 mills. In FY 2007/08 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 2005/06 and FY 2006/07, the City funded \$200 and \$300 homeowner dividends paid to homesteaded property owners in the City. Further, the proposed City of Miami Beach combined millage rate is the lowest it has been in at least 19 years and is equivalent to the FY 2016/17 millage rate.

STATUTORY REQUIREMENTS

FS 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, 2017), to advise the Miami-Dade County Property Appraiser of the proposed 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 tentative budgets for FY 2017/18. The required Debt Service millage rate must also be set at the same time as the general operating millage.

After setting the proposed operating millage rate, the 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

Per Commission direction at the July 10, 2017 Finance and Citywide Projects Committee meeting, the proposed operating millage rate for general City operations for FY 2017/18 is 5.7224, which includes the portion of the voted debt service reduction of 0.0132 mills. Based on the July 1, 2017 Certification of Taxable Value, 5.7224 mills would generate approximately \$175,363,000 in General Fund property tax revenues, which is an increase of \$14,751,000 over FY 2016/17 budgeted property tax revenues Citywide (net of City Center RDA).

	July 2016 Certified	July 2017 Certified
Property Assessment		
Existing Values	33,532,510,312	36,538,197,107
New Construction	1,165,246,796	858,865,383
Total	34,697,757,108	37,397,062,490
City Center CRA	5,612,744,843	5,702,556,459
Citywide Total	29,085,012,265	31,694,506,031
Property Tax Revenue Projection	160,612,000	175,363,000
Property Tax Revenue Projection Variance		14,751,000

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 Commission is required to approve a millage up to 6.2141 (equivalent to a 3.11 percent increase in property tax revenues). The 1.0311 percent 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 6.8355 (equivalent to a 10% increase in the ad valorem revenues above Option I).
- Option III: A unanimous approval of the Commission or referendum is required to approve a millage above 6.8355 up to the cap of 10 mills.

The proposed FY2017/18 operating millage rate of 5.7224, therefore, requires a majority approval (4 of 7 votes) of the Commission.

FIRST PUBLIC HEARING

The first public hearing on the proposed operating millage rate and tentative budget for FY 2017/18 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) must be held immediately following discussion of the tentative millage and budget of its principal taxing authority (City of Miami Beach).

Based on these guidelines, the first hearing must be held between September 3rd and September 18th. These dates are unavailable for the following reasons:

September 3, 10, and 17	Sundays
September 4	Labor Day
September 5	Proposed dates for Miami-Dade County Public Hearing
September 6	Miami-Dade County School Board Public Hearing

Of the remaining days available, it is recommended that the first public hearing be set for Wednesday, September 13, 2017 at 5:01 P.M., in the City Commission Chambers, City Hall, 1700 Convention Center Drive, immediately following the City of Miami Beach's public hearing.

JLM/CGR

A handwritten signature in blue ink, appearing to be 'CGR', is located below the typed initials 'JLM/CGR'.