



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: September 25, 2017

SUBJECT: **A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ADOPTING: 1) THE FINAL AD VALOREM MILLAGE OF 5.7224 MILLS FOR FISCAL YEAR (FY) 2017/18 FOR GENERAL OPERATING PURPOSES, WHICH IS SEVEN AND SIX-TENTHS PERCENT (7.6%) MORE THAN THE "ROLLED-BACK" RATE OF 5.3174 MILLS; AND 2) THE DEBT SERVICE MILLAGE RATE OF 0.1664 MILLS.**

ADMINISTRATION RECOMMENDATION

The Administration recommends that the Mayor and City Commission adopt the attached resolution which sets the following:

1) Final Millage Rates for FY 2017/18:

General Operating	5.6989 mills (0.0132 increase from last year)
Capital Renewal & Replacement	<u>0.0235 mills</u> (same as last year)
Sub-Total Operating Millage	5.7224 mills (0.0132 increase from last year)
Voted Debt Service	<u>0.1664 mills</u> (0.0132 decrease from last year)
Total	5.8888 mills (same as last year)

- 2) The final adopted combined millage rate of 5.8888 mills is the same as the combined millage rate for FY 2016/17. The final adopted operating millage rate of 5.7224 for FY2017/18 is 0.4050 mills more than the rolled-back rate of 5.3174. As a result, the City is required to publish a Notice of Tax Increase.

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 rolled-back 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.

PROCEDURE

Florida Statutes 200.065 requires that at the conclusion of the second public hearing on the final tax rate and budget, the City Commission proceed in the following specific manner:

1. Adopt a final ad valorem millage rate for FY 2017/18 operating purposes. The statute requires the name of the taxing authority, the "Rolled-Back" rate, the percentage increase or decrease over the "Rolled-Back" rate, and the millage rates be publicly announced before the adoption of the millage levy resolution.

State statute requires that only the title be read aloud.

2. Adopt a final general operating budget for FY 2017/18. Also included, are budgets for the Enterprise, Internal Service, and Special Revenue Funds. This is accomplished by adopting a companion Resolution. (See accompanying City Budget Agenda Item).

SUMMARY

In FY 2010/11 the city's approach to addressing the then deficit of \$32 million included a distribution of the shortfall between taxpayers and employees. Taxpayers had their tax rate increased from 5.9123 to 6.5025, an increase of 0.5902 mills. The goal of the Commission was to bring millage rates back to the FY 2009/10 level as property values increased over time. It should be remembered that between FY 2009/10 and FY 2010/11 values declined by \$2.6 billion driving the need for an increase in the millage.

In FY 2011/12, the City took its first step in that direction, with a reduction in the millage rate of 0.0486 mills. In FY 2015/16, the City of Miami Beach met its millage rate reduction goal to lower the millage rate to the level in FY 2009/10 as property values increased over time. In FY 2016/17, the Administration adopted an even lower combined millage rate for the City of Miami Beach of 5.8888, which is the lowest rate in at least 19 years.

The proposed total combined millage rate 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 comparative assessed values for the Miami Beach Redevelopment Agency City Center redevelopment 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. Values outside the City Center area determine General Fund revenues.

COMPARATIVE ASSESSED VALUES

	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%

DETERMINING THE OPERATING MILLAGE LEVY

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.

IMPACTS OF CHANGES IN PROPERTY VALUES

For FY 2017/18, the operating millage rate for general City operations is 5.7224, which is 0.0132 mills more than in FY 2016/17. Based on the July 1, 2017, Certification of Taxable Value, 5.7224 mills would generate approximately \$175,363,000 in general tax revenues, an increase of \$14,751,000 over FY 2016/17 budgeted property tax revenues Citywide.

Further, the January 1, 2016, tax roll Citywide declined by \$701.4 million between the July 1, 2016 valuation and the July 1, 2017 valuation due to appeals, adjustments, etc., which is part of the reason that the FY 2017/18 “rolled-back rate” is 0.3918 mills lower than the FY 2016/17 current millage rate. The value of 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.

STATE LEGISLATED OPERATING MILLAGE REQUIREMENTS

Pursuant to recently enacted State legislation, 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.

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.

COMBINING THE OPERATING AND VOTED DEBT SERVICE MILLAGE LEVY

At the July 26, 2017 Commission meeting, the Commission set the general operating millage rate at 5.6989, which is an increase of 0.0132 mills from 5.6857 in FY 2016/17; a General Fund Capital Renewal and Replacement millage of 0.0235, which is proposed to remain flat; and the proposed voted debt service millage rate was adjusted from 0.1796 to 0.01664, a decrease of 0.0132 mills.

Illustrated below is a comparison of the proposed combined millage rates and ad valorem revenues to the City of Miami Beach for FY 2016/17 and FY 2017/18 (preliminary) including the RDA. FY 2006/07 is also illustrated for further historical comparison.

					% Inc/(Dec)	
	FY 06/07	FY 16/17	FY 17/18	Inc/(Dec)	From FY16/17	From FY06/07
City of Miami Beach Millage Rates						
Operating	7.1920	5.6857	5.6989	0.0132		
Capital Renewal & Replacement	0.1820	0.0235	0.0235	0.0000		
Sub-total Operating Millage	7.3740	5.7092	5.7224	0.0132	0.2%	-22.4%
Debt Service	0.2990	0.1796	0.1664	-0.0132	-7.3%	-44.3%
Total	7.6730	5.8888	5.8888	0.0000	0.0%	-23.3%

IMPACT OF PROPOSED MILLAGE 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 homesteaded property values as of July 1, 2016, the median value of homesteaded property in Miami Beach was \$167,342 and the average was \$427,845. The impact of the millage rate adjustment to homesteaded properties would be \$21 for the median and \$53 for the average value homesteaded property as reflected in the table below.

Homesteaded Properties				
	FY 2016/17		FY 2017/18 with 2.1% CPI	
	Median	Average	Median	Average
Preliminary Taxable Value*	\$ 167,342	\$ 427,845	\$ 170,856	\$ 436,830
City of Miami Beach				
Operating	\$ 955	\$ 2,443	\$ 978	\$ 2,500
Voted Debt	\$ 30	\$ 77	\$ 28	\$ 73
Total Miami Beach	\$ 985	\$ 2,520	\$ 1,006	\$ 2,573
\$ Change in Taxes				
Operating			\$ 23	\$ 57
Voted Debt			\$ (2)	\$ (4)
Total Miami Beach			\$ 21	\$ 53
* Source: Miami-Dade County Property Appraiser's Office: 2016 Preliminary Average and Median Homestead Residential Values Report				

Non-Homesteaded Properties

The annual increase in market value of a non-homestead property is capped at 10 percent (does not apply to school millage rates). The city-wide average increase in property values is 7.7 percent. The property value of individual properties may increase up to, but not more than 10 percent (excluding the school millage portion of the property tax bill). However, an individual property owner may see a higher than 10 percent 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 could contribute to a property value increase of higher than 10 percent.

Historical Perspective

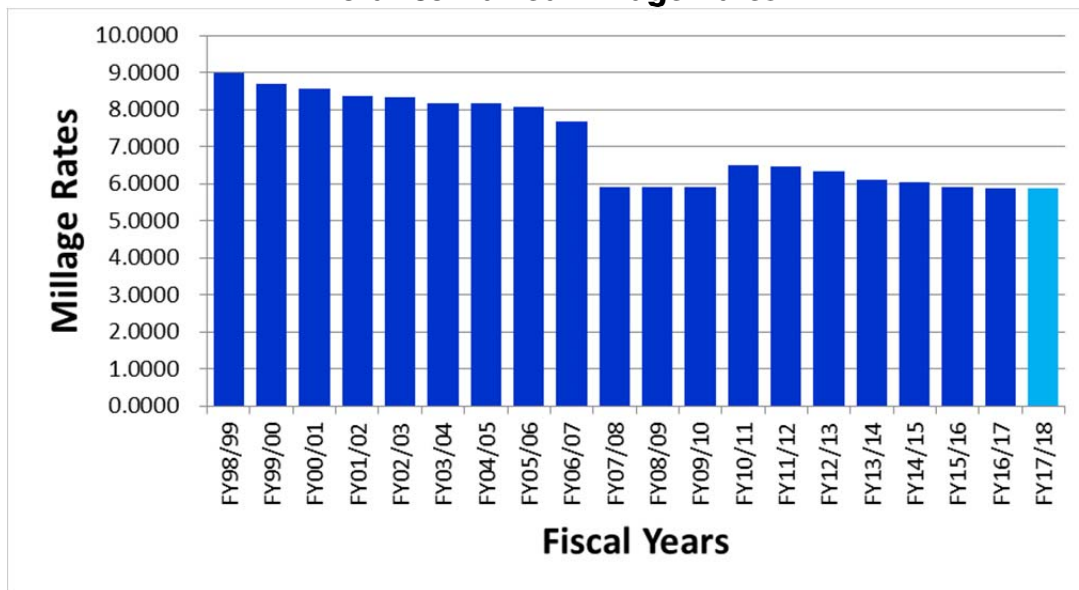
It is important to remember that in prior years, the City of Miami Beach significantly reduced tax rates as property values increased. Between FY 1999/00 and FY 2009/10, property tax rates declined approximately 2.8 mills. In FY 2007/08 alone, the property tax rate declined by approximately 1.8 mills, 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 FY2017/18 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.

Property Value, Millage and Property Tax Levy

Taxable Values Chart	Taxable Property Values (billions)	Final/Revised Taxable Values (billions)	Millage Rates		Tax Levy (in millions)	
			Total Combined Citywide Millage	General Fund/RDA Millage	Total Tax Levy including Debt	General Fund Total (including S. Pointe, and Renewal & Replacement)
FY1997/98	\$ 6.46	\$ 6.40	9.2100	7.4990	\$ 57.45	\$ 46.78
FY1998/99	\$ 6.97	\$ 6.87	8.9830	7.4990	\$ 60.37	\$ 44.66
FY1999/00	\$ 7.66	\$ 7.54	8.6980	7.4990	\$ 64.29	\$ 47.36
FY2000/01	\$ 8.37	\$ 8.22	8.5550	7.3990	\$ 69.08	\$ 49.75
FY2001/02	\$ 9.40	\$ 9.22	8.3760	7.2990	\$ 75.97	\$ 54.37
FY2002/03	\$ 10.56	\$ 10.41	8.3220	7.2990	\$ 84.81	\$ 61.05
FY2003/04	\$ 12.09	\$ 11.85	8.1730	7.2990	\$ 95.39	\$ 68.17
FY2004/05	\$ 14.04	\$ 13.86	8.1730	7.4250	\$ 110.74	\$ 79.38
FY2005/06	\$ 17.45	\$ 17.15	8.0730	7.4810	\$ 135.91	\$ 111.69
FY2006/07	\$ 22.74	\$ 22.26	7.6730	7.3740	\$ 168.38	\$ 140.31
FY2007/08	\$ 26.85	\$ 26.14	5.8970	5.6555	\$ 150.42	\$ 125.33
FY2008/09	\$ 26.90	\$ 25.89	5.8930	5.6555	\$ 150.59	\$ 125.94
FY2009/10	\$ 24.70	\$ 23.24	5.9123	5.6555	\$ 138.70	\$ 115.73
FY2010/11	\$ 22.10	\$ 20.97	6.5025	6.2155	\$ 136.55	\$ 112.14
FY2011/12	\$ 21.98	\$ 20.75	6.4539	6.1655	\$ 134.75	\$ 111.29
FY2012/13	\$ 23.07	\$ 22.02	6.3477	6.0909	\$ 139.10	\$ 114.32
FY2013/14	\$ 24.66	\$ 23.64	6.1163	5.8634	\$ 143.26	\$ 117.41
FY2014/15	\$ 27.10	\$ 26.27	6.0237	5.7942	\$ 155.10	\$ 127.76
FY2015/16	\$ 30.70	\$ 29.92	5.9123	5.7092	\$ 172.42	\$ 143.16
FY2016/17	\$ 34.70	\$ 33.99	5.8888	5.7092	\$ 194.11	\$ 160.78
FY2017/18	\$ 37.39	*	5.8888	5.7224	\$ 209.21	\$ 175.36

Further, although the City increased the operating tax rate by 0.56 mills in FY 2010/11, the City's proposed combined millage rate is now lower than the rate in FY 2009/10 and remains approximately 2.8 mills lower or 32%, than it was in FY 1999/00.

Total Combined Millage Rates



Property Values and Tax Levy



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 69 percent of a Miami Beach property owner's tax bill.

The countywide tax rate for Miami-Dade County millage remained flat at 4.6669; the library tax rate is flat at 0.2840 mills; and the debt service millage is flat at 0.4000 mills. The tax rate for the Miami-Dade School District decreased from 7.3220 to 6.9940 mills. The Children's Trust millage rate decreased from 0.5000 to 0.4673 mills. As a whole, the millage rates for the South Florida Water Management District, Okeechobee Basin, Everglades Project, and Florida Inland Navigational District decreased from 0.3627 mills to 0.3420 mills.

With the proposed rates for FY 2017/18, the Miami Beach portion of the tax bill is approximately 31 percent of the total bill. Of note, the County millage rate is 0.9481 mills less than their millage in FY 2006/07, as compared to the City's millage rate, which is 1.7842 mills less than the City millage in FY 2006/07. Further, the School Board millage is 1.1110 below the FY 2006/07 millage rate. The significant difference in the total overlapping millage rate is a direct result of the City's effort to keep the millage rates as low as possible. A summary of the tax rate changes is provided in the following table.

OVERLAPPING TAX MILLAGE	FY 06/07	FY 16/17	FY 17/18	Variance from FY 16/17	Variance from FY 06/07	% of FY 17/18 Total
City of Miami Beach						
Operating	7.1920	5.6857	5.6989	0.0132	-1.4931	
Capital Renewal & Replacement	0.1820	0.0235	0.0235	0.0000	-0.1585	
Subtotal Operating Millage	7.3740	5.7092	5.7224	0.0132	-1.6516	
Voted Debt Service	0.2990	0.1796	0.1664	-0.0132	-0.1326	
Total	7.6730	5.8888	5.8888	0.0000	-1.7842	31%
Miami Dade County						
Countywide	5.6150	4.6669	4.6669	0.0000	-0.9481	
Library	0.4860	0.2840	0.2840	0.0000	-0.2020	
Debt Service	0.2850	0.4000	0.4000	0.0000	0.1150	
Subtotal	6.3860	5.3509	5.3509	0.0000	-1.0351	28%
School Board	8.1050	7.3220	6.9940	-0.3280	-1.1110	37%
Children's Trust	0.4220	0.5000	0.4673	-0.0327	0.0453	2%
Other	0.7360	0.3627	0.3420	-0.0207	-0.3940	2%
Total	23.3220	19.4244	19.0430	-0.3814	-4.2790	100%

Impact of Combined Tax Rates of Overlapping Jurisdictions on Homesteaded Properties

The City of Miami Beach's 2016 preliminary median and average homesteaded residential taxable values are \$167,342 and \$427,845 respectively. Applying the proposed combined millage rates to the median and average taxable values results in an increase of approximately \$4 for the median and an approximate increase of \$8 for average homesteaded residential properties. These increases include a \$21 increase in property taxes for the median and a \$53 increase for the average homesteaded residential properties for the City of Miami Beach's portion of the property tax bill.

Median properties would pay approximately \$3,253 for all taxing jurisdictions combined, while the average taxes generated would be approximately \$8,319 per homesteaded property. Of these taxing jurisdictions, the highest component is the Miami-Dade School Board, at \$1,195 for a median value property, and \$3,055 for an average valued property.

The following table provides examples of changes in property taxes for homesteaded properties using the proposed tax rates and potential changes from 2016 values.

Impact on Homesteaded Properties				
	FY 2016/17		FY 2017/18 with 2.1% CPI	
	Median	Average	Median	Average
Preliminary Taxable Value*	\$ 167,342	\$ 427,845	\$ 170,856	\$ 436,830
City of Miami Beach				
Operating	\$ 955	\$ 2,443	\$ 978	\$ 2,500
Voted Debt	30	77	28	73
Total Miami Beach	\$ 985	\$ 2,520	\$ 1,006	\$ 2,573
Miami Dade County	895	2,289	914	2,337
Schools	1,225	3,133	1,195	3,055
Other	144	369	138	354
Total	\$ 3,249	\$ 8,311	\$ 3,253	\$ 8,319
<u>Change in Taxes</u>				
City of Miami Beach				
Operating			\$ 23	\$ 57
Voted Debt			(2)	(4)
Total Miami Beach			\$ 21	\$ 53
Miami Dade County			19	48
Schools			(30)	(78)
Other			(6)	(15)
Total			\$ 4	\$ 8
* Source: Miami-Dade County Property Appraiser's Office: 2016 Preliminary Average and Median Homestead Residential Values Report				

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.

CONCLUSION

The Administration recommends adoption of the attached Resolution which adopts the final operating and debt service millage rates for FY 2017/18.

JLM/JW/TOS