



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

COMMISSION MEMORANDUM

TO: Mayor Dan Gelber and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: September 26, 2018

SUBJECT: **A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ADOPTING: 1) THE FINAL AD VALOREM MILLAGE OF 5.7288 MILLS FOR FISCAL YEAR (FY) 2018/19 FOR GENERAL OPERATING PURPOSES, WHICH IS FOUR AND SEVEN TENTHS PERCENT (4.7%) MORE THAN THE “ROLLED-BACK” RATE OF 5.4727 MILLS; AND 2) THE DEBT SERVICE MILLAGE RATE OF 0.1600 MILLS**

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) Final Millage Rates for FY 2018/19:

General Millage	5.6298 mills (0.0691 less than last year)
Capital Renewal & Replacement Millage	0.0235 mills (same as last year)
Pay-As-You-Go (PAYGO) Millage	<u>0.0755 mills</u> (new in FY 2018/19)
Total General Operating Millage	5.7288 mills (0.0064 more than last year)
Voted Debt Service Millage	<u>0.1600 mills</u> (0.0064 less than last year)
Total Combined Millage	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 2017/18. The final adopted operating millage rate of 5.7288 for FY2018/19 is 0.2561 mills, or 4.7% more than the “rolled-back” rate of 5.4727. As a result, the City is required to publish a Notice of Tax Increase.

The first public hearing on the tentative millage rates for FY 2018/19 was held on September 12, 2018. The millage rates herein are those which were tentatively adopted at the first public hearing on that day.

The “rolled-back” millage rate for FY 2018/19 is the millage rate required to produce the same level of property tax revenues in the General Fund in FY 2018/19 as anticipated to be received in FY 2017/18. It is important to note that the January 1, 2017 citywide tax roll declined by almost \$758.1 million between the July 1, 2017 certified valuation and the July 1, 2018 final valuation due to appeals, adjustments, etc., which is part of the reason the FY 2018/19 “rolled-back” millage rate is 0.2561 mills, or 4.7% lower than the FY 2017/18 general operating millage rate and is lower than it

would have been if the “rolled-back” rate was only adjusted for the increase in revenues generated by higher property values.

The area outside of the City Center Redevelopment Area (RDA), which impacts the General Fund revenues directly, decreased in values by approximately \$525.2 million between the July 1, 2017 certified valuation and the July 1, 2018 final valuation.

PROCEDURE

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

1. Adopt a final ad valorem millage rate for FY 2018/19 general operating purposes. This is accomplished by adopting a Resolution which includes the percentage increase or decrease over the "rolled-back" rate; the required Debt Service millage rate.

State statute requires that only the title be read aloud.

2. Adopt a final general operating budget for FY 2018/19. Also included are budgets for the Enterprise, Internal Service, Special Revenue, G.O. Bond Debt Service and City Center RDA Funds. This is accomplished by adopting a companion Resolution. (See accompanying City Budget Agenda Item).

ANALYSIS OF PROPERTY VALUES IN MIAMI BEACH

On July 1, 2018, the City received the 2018 Certification of Taxable Value from the Miami-Dade County Property Appraiser's Office indicating that the taxable value for the City of Miami Beach was \$38.9 billion, which included \$186.1 million in new construction. Property taxes comprise approximately 53% of total General Fund revenues.

The comparative assessed values for the City Center RDA increased from \$5.7 billion to \$6.0 billion, which is an increase of approximately \$290 million, or 5.1 percent, over the certified 2017 values. Citywide values, excluding the City Center RDA district, increased from \$31.7 billion to \$32.9 billion, which is an increase of \$1.2 billion, or 3.8 percent, over the certified 2017 values.

Comparative Assessed Values Citywide vs. City Center RDA

	January 1, 2017 Value (in billions)				January 1, 2018 Value (in billions)		
	July 1, 2017 (FY2017/18 Budget)	Revised Value (FY2017/18 Projection)	Change in 2017 Values	% Chg.	July 1, 2018 (FY2018/19 Budget)	\$ Change (in billions)	% Chg.
Total Citywide	\$ 37.397	\$ 36.639	\$ (0.758)	-2.0%	\$ 38.888	\$ 1.491	4.0%
City Center RDA	\$ (5.703)	\$ (5.470)	\$ 0.233	-4.1%	\$ (5.993)	\$ (0.290)	5.1%
Citywide - Net of City Center RDA	\$ 31.694	\$ 31.169	\$ (0.525)	-1.7%	\$ 32.894	\$ 1.200	3.8%

DETERMINING THE VOTED DEBT SERVICE MILLAGE LEVY

The General Obligation (G.O.) Bond debt service payment for FY 2018/19 is projected to be \$5.9 million. Based on the July 1, 2018 certified taxable values received from the Miami-Dade County Property Appraiser's Office, this debt service payment would require the levy of a voted debt service

millage of 0.1600 mills, which represents a decrease of 0.0064 mills from the FY 2017/18 voted debt service levy of 0.1664 mills. This difference is proposed to be applied to the general operating millage rate.

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 or Save Our Homes (SOH). SOH is an assessment limitation, or “cap”, on increases in the assessed value of a homesteaded residence. Those increases are limited to 3% 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 the January 1, 2018 homesteaded property values as of July 1, 2018, the median value of homesteaded property in Miami Beach was \$186,172 and the average was \$473,353 (assuming a 2.1 percent increase over 2017 median and average homesteaded property values pursuant to SOH). The impact of the proposed millage rate adjustment to homesteaded properties in Miami Beach would be an increase of \$24 for the median and an increase of \$58 for the average value homesteaded property as reflected in the table below:

Homesteaded Properties				
	FY 2017/18		FY 2018/19	
	Median**	Average**	Median	Average
Preliminary Taxable Value**	\$ 182,343	\$ 463,617	\$ 186,172	\$ 473,353
City of Miami Beach				
Operating	\$ 1,043	\$ 2,653	\$ 1,067	\$ 2,712
Voted Debt	30	77	30	76
Total Miami Beach	\$ 1,073	\$ 2,730	\$ 1,097	\$ 2,788
\$ Change in Taxes				
Operating			\$ 24	\$ 59
Voted Debt			-	(1)
Total Miami Beach			\$ 24	\$ 58
**Source: Miami-Dade County Property Appraiser's - 2017-average-median-homestead-residential-values file				

Impact on Non-Homesteaded Properties

The annual increase in market value of a non-homesteaded property is capped at 10 percent (does not apply to school millage rates). The city-wide average increase in property values is 4.0 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.

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 remained flat at 4.6669; the library tax rate also remained flat; and the debt service millage increased by 0.0644 mills. The tax rate for the Miami-Dade School District decreased from 6.9940 to 6.7330 mills. The Children's Trust millage rate decreased from 0.4673 to 0.4415 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 0.3420 mills to 0.3256 mills.

With the Proposed rates for FY 2018/19, the Miami Beach portion of the tax bill is approximately 31 percent of the total bill. *Of note, the County millage rate is 0.9707 mills less than the County 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 1.3720 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 2006/07	FY 2017/18	FY 2018/19	Variance from FY 2017/18	Variance from FY 2006/07	% of FY 2018/19 Total
City of Miami Beach						
Operating	7.1920	5.6989	5.6298	-0.0691	-1.5622	
Capital Renewal & Replacement	0.1820	0.0235	0.0235	0.0000	-0.1585	
Pay-As-You-Go Capital	0.0000	0.0000	0.0755	0.0755	0.0755	
Subtotal Operating Millage	7.3740	5.7224	5.7288	0.0064	-1.6452	
Voted Debt Service	0.2990	0.1664	0.1600	-0.0064	-0.1390	
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	0.4644	0.0644	0.1794	
Subtotal	6.3860	5.3509	5.4153	0.0644	-0.9707	29%
School Board	8.1050	6.9940	6.7330	-0.2610	-1.3720	36%
Children's Trust	0.4220	0.4673	0.4415	-0.0258	0.0195	2%
Other	0.7360	0.3420	0.3256	-0.0164	-0.4104	2%
Total	23.3220	19.0430	18.8042	-0.2388	-4.5178	100%

IMPACT OF COMBINED TAX RATES OF OVERLAPPING JURISDICTIONS ON HOMESTEADED PROPERTIES

The City of Miami Beach's 2018 preliminary median and average homesteaded residential taxable values are \$186,172 and \$473,353 respectively. Applying the Proposed combined millage rates to the median and average taxable values results in a property tax increase of approximately \$29 for the median and \$72 for the average homesteaded residential tax bill.

Median properties would pay approximately \$3,501 for all taxing jurisdictions combined, while the average taxes generated would be approximately \$8,901 per homesteaded property. Of these taxing jurisdictions, the highest component is the Miami-Dade School Board, at \$1,253 for a median value homesteaded property, and \$3,187 for an average valued homesteaded property.

The following table provides examples of changes in property taxes for homesteaded properties using the Proposed tax rates and potential changes from 2017 values.

Homesteaded Properties				
	FY 2017/18		FY 2018/19	
	Median**	Average**	Median	Average
Preliminary Taxable Value**	\$ 182,343	\$ 463,617	\$ 186,172	\$ 473,353
City of Miami Beach				
Operating	\$ 1,043	\$ 2,653	\$ 1,067	\$ 2,712
Voted Debt	30	77	30	76
Total Miami Beach	1,073	2,730	1,097	2,788
Miami-Dade County	976	2,481	1,008	2,563
Schools	1,275	3,243	1,253	3,187
Other	148	375	143	363
Total	\$ 3,472	\$ 8,829	\$ 3,501	\$ 8,901
\$ Change in Taxes				
Operating			\$ 24	\$ 59
Voted Debt			-	(1)
Total Miami Beach			\$ 24	\$ 58
Miami-Dade County			\$ 32	\$ 82
Schools			\$ (22)	\$ (56)
Other			\$ (5)	\$ (12)
Total			\$ 29	\$ 72
**Source: Miami-Dade County Property Appraiser's - 2017-average-median-homestead-residential-values file				

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.

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

FY 2018/19 Final Millage Rates

September 26, 2018

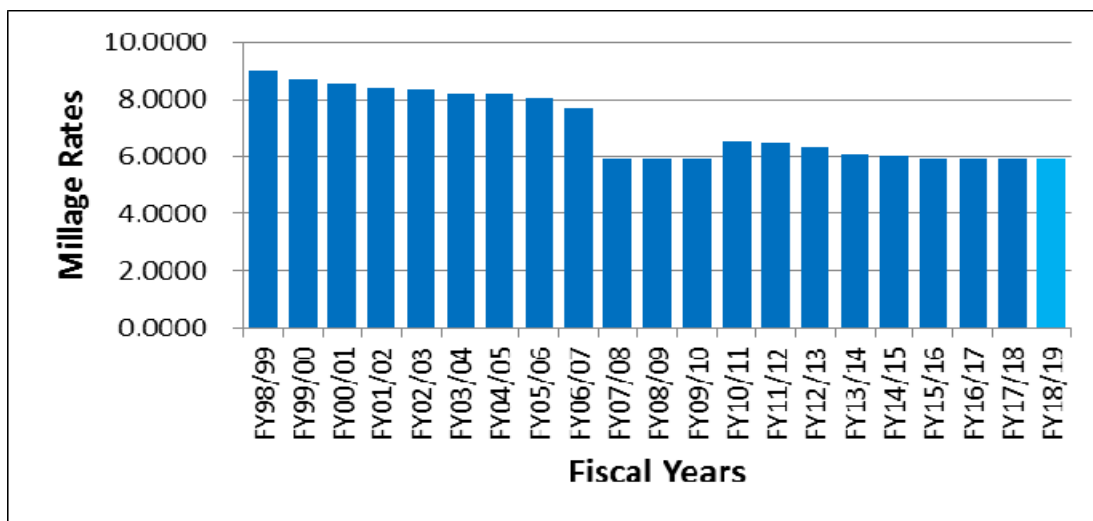
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approximately 2.8 mills. In FY 2007/08 alone, the property tax rate declined by approximately 1.8 mills with annual savings to the average homesteaded property of over \$400. In addition, in FY 2005/06 and FY 2006/07, the City funded \$200 and \$300 homeowner dividends paid to homesteaded property owners in the City. Further, the proposed City of Miami Beach total combined millage rate for FY 2018/19 of 5.8888 is the lowest it has been in at least 50 years and is equivalent to the total combined millage rate adopted in FY 2017/18.

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 & CRR)
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	\$ 36.63	5.8888	5.7224	\$ 209.21	\$ 175.36
FY2018/19	\$ 38.88	*	5.8888	5.7288	\$ 217.51	\$ 182.16

**Data not available until next calendar year*

Total Combined Millage Rates



Property Values and Tax Levy

Today's General Fund Operating Budget also reflects greater diversification of revenues since FY 2006/07. The Proposed Work Plan and Budget includes \$35.8 million in resort taxes to fund tourism-eligible expenditures (increased by \$886,000 from last year) and a \$1.2 million transfer of Parking Operations Fund year-end surplus (reduced \$3.2 million from last year). In large part due to these alternative sources, property tax revenues represent 53 percent of the total funding for the FY 2018/19 General Fund budget, as compared to 59 percent in FY 2006/07, which represents a significant reduction over the past several years.

Despite the General Fund budget increasing from \$237.7 million in FY 2006/07 to \$345.1 million in FY 2018/19, a 45% increase, the property tax levy has only increased by \$49.1 million, or 29% between FY 2006/07 and FY 2018/19.



STATUTORY REQUIREMENTS

Florida Statute, Section 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, 2018), 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 budgets for FY 2018/19. The required debt service millage rate must also be set at the same time as the general operating millage.

After setting the proposed FY 2018/19 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

As presented at the May 24, 2018 Budget Workshop, and Budget Briefings, the proposed FY 2018/19 general operating millage rate, which includes a newly dedicated millage for Pay-As-You-Go (PAYGO) capital funds and allows for growth over time with property values equivalent to \$2.4 million included in the FY 2018/19 proposed General Fund budget and entirely offset by a decrease in the City's general millage, is 5.7288 mills. Based on the July 1, 2018 Certification of Taxable Value received from the Miami-Dade County Property Appraiser, the levy of 5.7288 mills would generate approximately \$182.2 million in General Fund property tax revenues, which is an increase of \$6.8 million over FY 2017/18 budgeted property tax revenues Citywide (net of the City Center RDA).

	July 2017	July 2018
	Certified	Certified
Property Assessment		
Existing Values	36,538,197,107	38,701,545,195
New Construction	858,865,383	186,115,906
Total	37,397,062,490	38,887,661,101
City Center RDA	5,702,556,459	5,993,199,959
Citywide Total	31,694,506,031	32,894,461,142
Property Tax Revenue Projection	175,363,000	182,168,000
Property Tax Revenue Projection Variance		6,805,000

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 City Commission or referendum:

- Option I: A majority approval of the Commission is required to approve a millage up to 6.1024 mills (equivalent to a 1.47% increase in Property Tax revenues). The 1.0147 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 6.7126 mills (equivalent to a 10% 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 6.7126 mills.

Adoption of the proposed FY 2018/19 total general operating millage rate of 5.7288 mills, therefore, requires a majority approval (4 of 7 votes) by the City Commission per the State of Florida's Truth-in-Millage (TRIM) requirements.

CONCLUSION

The Administration recommends adoption of the attached Resolution which sets both final operating and debt service millage rates for FY 2018/19 at 5.7288 mills and 0.1600 mills, respectively.

JLM/JW/TOS