



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

COMMISSION MEMORANDUM

TO: Honorable Mayor Steven Meiner and Members of the City Commission

FROM: Rickelle Williams, Interim City Manager

DATE: July 24, 2024

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 2025; 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) 2025:

General Millage	5.6636 mills
Capital Renewal & Replacement Millage	0.0866 mills
Pay-As-You-Go (PayGo) Millage	<u>0.1020 mills</u>
Total General Operating Millage	5.8522 mills
Voted Debt Service Millage	<u>0.2959 mills</u>
Total Combined Millage	6.1481 mills (<u>same as last year</u>)

2) “Rolled-Back” Rate (Truth-in-Millage) 5.3395 mills

3) The first public hearing to consider the proposed millage rates and budgets for FY 2025 shall be held on Monday, September 16, 2024, 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, 2024, the City received the 2024 Certified Taxable Values from the Miami-Dade County Property Appraiser. As summarized below, the City's overall taxable property values increased approximately \$4.8 billion, or 9.4%, from the 2023 Certified Taxable Values of \$51.6 billion to the 2024 Certified Taxable Values of \$56.4 billion, which includes a \$4.5 billion, or 8.8%, increase in the City's existing values and a \$0.3 billion increase in new construction values. Within the overall increase, however, property values within the City Center Redevelopment Area and the North Beach Community Redevelopment Area increased by 8.4% and 6.6%, respectively, compared to the previous year.

	July 2023 Certified	July 2024 Certified	\$ Change	% Change
Property Values:				
Existing Values	\$51,560,772,230	\$56,099,794,992	\$4,539,022,762	8.8%
New Construction	-	297,152,107	297,152,107	100.0%
Total	\$51,560,772,230	\$56,396,947,099	\$4,836,174,869	9.4%
City Center Redevelopment Area	\$6,188,026,922	\$6,709,447,439	\$521,420,517	8.4%
North Beach Community Redevelopment Area	1,730,558,116	1,844,424,002	113,865,886	6.6%
Total (Net of RDA & CRA)	\$43,642,187,192	\$47,843,075,658	\$4,200,888,466	9.6%

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, where a mill is defined as \$1.00 of ad valorem tax for every \$1,000 of taxable property value. For the City, the value of each mill for the FY 2025 budget is determined by the 2024 Certified Taxable Values that is set at approximately \$56.4 million per mill levied. Per Section 200.065, Florida Statutes, a discount of up to 5% may be applied for early payment discounts, delinquencies, etc. Therefore, the value of one mill citywide at 95% is approximately \$53.6 million.

PROPOSED MILLAGE RATE

There are two (2) main components to the City's Total Combined millage rate, which are the General Operating millage rate and the voted debt service millage rate. The General Operating millage rate, which is comprised of a General, Capital Renewal and Replacement (CRR), and Capital 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 for outstanding General Obligation (G.O.) bonds.

The General Operating millage rate proposed for FY 2025 of 5.8522 mills provides funding to offset increases in personnel costs, such as the City's annual required pension contributions, a five 5% step increase for all Fraternal Order of Police (FOP) and International Association of Fire Fighters (IAFF) positions and a 0-3% performance-based merit increase for all other 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 and dedicated funding for General Fund capital projects.

Unfunded Capital Needs

As presented at the Finance and Economic Resiliency Committee (FERC) Budget Briefings on June 21, 2024 and July 12, 2024, the City's FY 2025-2029 Capital Improvement Plan (CIP) reflected approximately \$1.2 billion of unfunded capital project needs over the next five (5) years.

As a result, and in an effort to meet the City Commission's goal of funding 5% of the annual General Fund operating budget for capital needs in accordance with Resolution No. 2006-26341, the Administration recommended the following, which was approved by the FERC at the two (2) FY 2025 Budget Briefings:

1. Dedicated CRR Millage Adjustment

Realign the reduction in the required voted debt service millage rate in FY 2025 of 0.0285 mills based on the 2024 Certified Taxable Values as of July 1, 2024 to the dedicated CRR millage rate. This realignment would result in an estimated additional increase in dedicated CRR funding of approximately \$1.4 million in FY 2025.

2. General Fund Interest Income for Capital Projects

Allocate 25%, or approximately \$2.0 million, of the total projected FY 2025 interest income in the General Fund for one-time capital expenditures. Using General Fund interest income for one-time expenditures is a prudent financial strategy for local governments, particularly given the volatility of interest rates. Interest rates can fluctuate significantly due to economic conditions, monetary policy, and market forces. Relying on interest income for recurring expenditures is risky, as a decline in rates could lead to a shortfall in expected revenues and cause an unexpected deficit. By using interest income for one-time expenditures, the City would avoid creating budget gaps, if interest income decreases.

In addition, based on the finalization of the City's Annual Comprehensive Financial Report (ACFR) for the fiscal year ending September 30, 2023 (FY 2023), approximately \$0.4 million in prior year fund balance in the General Obligation (G.O.) Debt Service Fund is available for appropriation. At the July 12, 2024 FERC Budget Briefing, the Administration recommended that the available funding be appropriated in FY 2025 which reduced the voted debt service millage for FY 2025 further by 0.0082 mills from 0.3041 mills to 0.2959 mills and realign the additional decrease in the voted debt service millage to the dedicated CRR millage. This resulted in an estimated additional increase in dedicated CRR funding of approximately \$0.4 million, which was approved by the FERC at the July 12, 2024 FERC Budget Briefing.

The voted debt service millage rate provides dedicated funding for the annual debt service associated with the City's outstanding G.O. Bonds. For FY 2025, this represents the annual debt service for the first tranche (Series 2019) of the G.O. Bonds approved by the voters on November 6, 2018, and the annual debt service for the first tranche (Series 2023 A&B) of the Arts and Culture G.O. Bonds approved by the voters on November 8, 2022. Based on the 2024 Certified Taxable Property Values, the debt service payments totaling approximately \$16.3 million in FY 2025 require the levy of a voted debt service millage rate of 0.2959 mills for FY 2025, which is 0.0367 mills less than the adopted FY 2024 voted debt service millage rate of 0.3326 mills.

The Total Combined millage rate for FY 2025 would remain flat at 6.1481 mills, as summarized in the table below, if the recommendations above are approved.

These recommendations would move the budget closer to the City Commission's goal of funding 5% of the annual General Fund operating budget, which is approximately \$21.9 million, for capital needs, **from approximately \$11.3 million, or 2.6%, to \$15.1 million, or 3.4%,** of the FY 2025 General Fund budget. With these additional capital dollars, the Administration recommends funding the most critical unfunded capital projects to extend the useful life of the City's facilities.

	FY 2024 Adopted	FY 2025 Proposed	Increase/ (Decrease)
General	5.6636	5.6636	0.0000
Capital Renewal & Replacement (CRR)	0.0499	0.0866	0.0367
Capital Pay-As-You-Go (PayGo)	0.1020	0.1020	0.0000
Total General Operating Millage	5.8155	5.8522	0.0367
Voted Debt Service	0.3326	0.2959	(0.0367)
Total Combined Millage	6.1481	6.1481	0.0000

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.

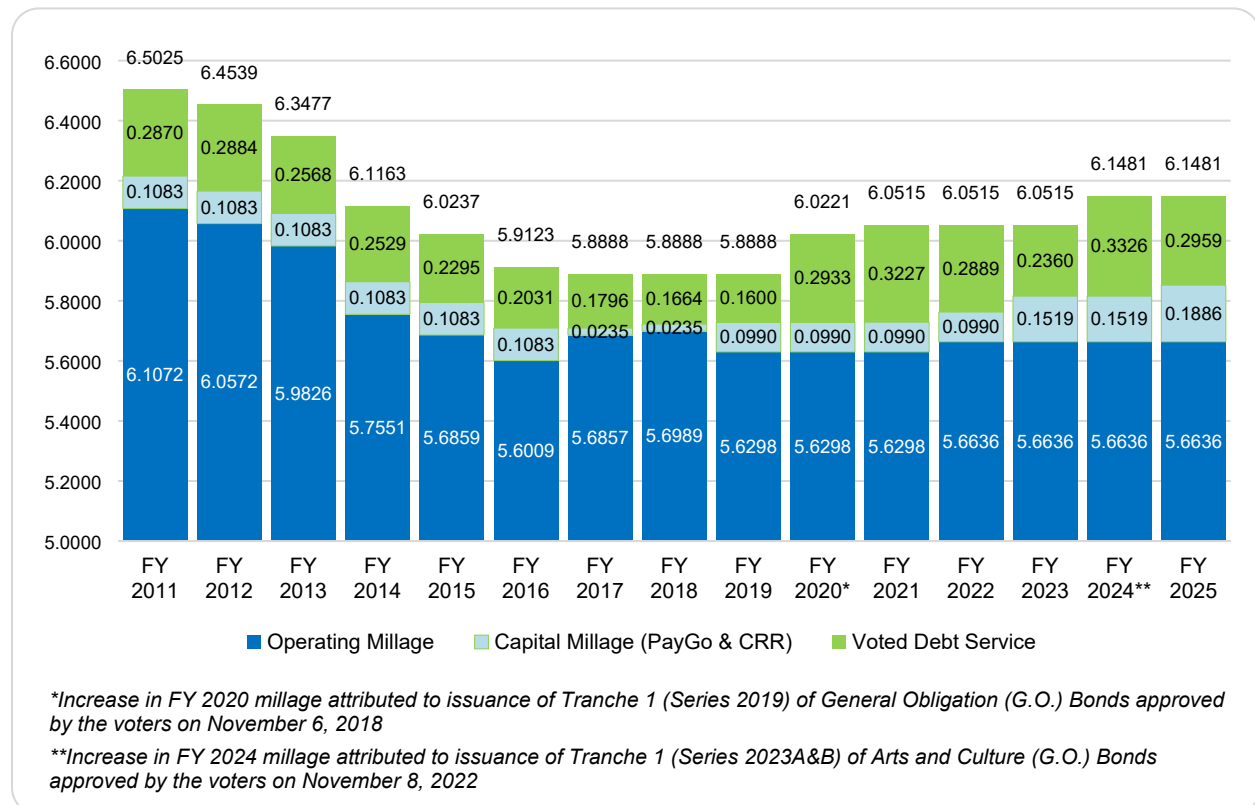
Based on last year's taxable property values from the Miami-Dade County Property Appraiser as of July 1, 2023, the median homesteaded property value in the City was \$265,595 while the average homesteaded property value was \$756,191. For an existing homesteaded property in the City that was not sold and/or did not have any improvements or additions completed in the last year, the impact of the City's Total Combined millage rate of 6.1481 mills proposed for FY 2025 would be an increase of approximately \$49 for the median homesteaded property, while the impact for the average homesteaded property would be \$138 pursuant to the SOH cap.

Homesteaded Properties				
	FY 2024		FY 2025	
	Median**	Average**	Median	Average
Preliminary Taxable Value**	\$265,595	\$756,191	\$273,563	\$778,877
City of Miami Beach:				
Operating	\$1,545	\$4,398	\$ 1,601	\$ 4,558
Voted Debt	88	252	81	230
Total Miami Beach	\$1,633	\$4,650	\$1,682	\$4,788
\$ Change in Taxes:				
Operating			\$ 56	\$ 160
Voted Debt			(7)	(22)
Total Miami Beach			\$49	\$138
**Source: Miami-Dade County Property Appraiser's – 2023 average-median-homestead-residential-values files				

Historical Perspective

The table below outlines the City's historical millage rate trend. For FY 2025, the City's Total Combined millage rate is proposed to remain flat at 6.1481 mills, which is the same rate adopted for FY 2024.

Millage Rate History



TRUTH-IN-MILLAGE PROCESS

Florida Statute 200.065, entitled "Method of Fixing Millage," establishes specific guidelines that must be used by all local government entities in setting millage its 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, 2024), to advise the Miami-Dade County Property Appraiser of the Total General Operating millage rate proposed, 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 2025. The required voted debt service millage rate must also be set at the same time as the Total General Operating millage rate.

Maximum Millage Determination

The FY 2025 Total General Operating millage rate is proposed at 5.8522 mills. Based on the 2024 Certified Taxable Values received from the Miami-Dade County Property Appraiser on July 1, 2024, the proposed levy of 5.8522 mills, which includes the recommended realignment of the reduction in the voted debt service millage to the dedicated CRR millage, would generate approximately \$278.2 million in General Fund property tax revenues, which is an increase of approximately \$25.3 million over the budgeted FY 2024 General Fund property tax revenues of \$252.9 million (excludes the City Center Redevelopment Area and North Beach Community Redevelopment Area).

Adoption of the Total General Operating millage rate of 5.8522 mills proposed for FY 2025, therefore, 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, 2024, taxing authorities are required to certify the proposed millage rates to the Miami-Dade County Property Appraiser. The millage rates proposed will be included in the TRIM notices that will be mailed by the Property Appraiser by August 24, 2024. 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.

After setting the proposed millage rates for FY 2025, the Mayor and City Commission may, at any time prior to final adoption, lower the proposed millage rates throughout the remainder of the budget development 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 25, 2024, at 5:01 p.m.

First Public Hearing

The first public hearing on the proposed operating millage rate and budget for FY 2025 must be held no later than 80 days, or earlier than 65 days, from the start of the TRIM calendar (July 1st). Other requirements 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. The public hearing must be held after 5:00 P.M., if on a day other than Saturday
3. The principal taxing authority (City of Miami Beach) must adopt its tentative millage rate prior to adopting its tentative annual budget

Based on these requirements, the first public hearing must be held between September 3, 2024 and September 18, 2024. The following dates are unavailable for the following reasons:

September 5 th	Miami-Dade County 1 st Public Hearing
September 8 th and 15 th	Sundays
September 11 th	Miami-Dade County School Board 2 nd Public Hearing

Of the remaining days available, it is recommended that the first public hearing be held on Monday, September 16, 2024, at 5:01 P.M., in the City Commission Chambers at 1700 Convention Center Drive, 3rd Floor, Miami Beach, Florida 33139.

Second Public Hearing

The second public hearing to adopt the final millage rate and budget for FY 2025 must be held no later than 100 days, or earlier than 97 days, from the start of the TRIM calendar (July 1st). In addition, it must be advertised no later than 15 days after the first public hearing and must be held two (2) to five (5) days after the advertisement appears in the newspaper.

For this reason, the second public hearing is recommended to be held on Wednesday, September 25, 2024, at 5:01 p.m., in the City Commission Chambers at 1700 Convention Center Drive, 3rd Floor, Miami Beach, Florida 33139.

CONCLUSION

The Administration recommends that the Mayor and City Commission adopt the attached Resolution authorizing the City Manager to transmit the proposed operating millage rate, the required debt service millage, 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 2025 to the Miami-Dade County Property Appraiser.

RW/JDG/TOS/RA