



# MIAMI BEACH

OFFICE OF THE CITY MANAGER  
NO. LTC # 038-2007

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CITY CLERK'S OFFICE

## LETTER TO COMMISSION

TO: Mayor David Dermer and Members of the City Commission

FROM: Jorge M. Gonzalez, City Manager

DATE: February 8, 2007

SUBJECT: **PROPERTY TAX REFORM PROPOSALS**

The purpose of this LTC is to transmit to the Mayor and City Commission the attached correspondence from the Florida League of Cities, regarding property tax reform. As of January 29, 2007, there have been more than 30 bills filed in the Legislature related to property tax, including proposals for portability, increases to the homestead exemption, property assessment methodology, extension of the 3% growth limitation to all property, and caps on local government revenues and expenditures. A summary list of legislation identified by the City's lobbyists is attached.

The impact of a population/inflation growth limitation has potential negative consequences for Miami Beach. The University of Florida conducts population estimates for revenue sharing purposes. The UF estimate for Miami Beach showed a 1.49% decline in population from 93,535 to 92,145. The September 2005-September 2006 percentage change in the Consumer Price Index was 2.1%. Had this proposal been in place for the current budget year, (utilizing the UF estimate and Sept. 05-Sept. 06 CPI-U), the City's annual budget growth would have been limited to 0.58% growth, reflecting the sum of inflation (2.1%) and population growth (-1.49%) for Miami Beach from 2005 to 2006.

**A series of Legislative Public Hearings on Property Tax Reform are planned throughout the State during February, including one on February 13<sup>th</sup> at Miami-Dade Community College's Chapman Center, from 6-9 p.m. A public hearing will also take place in Fort Lauderdale on February 12<sup>th</sup>.**

Type of Proposed Legislation	Impact on City of Miami Beach
Increase the Homestead Exemption from \$25,000 to \$50,000.	Offset by decreasing the Homeowner's Dividend.
Portability	Undetermined
Limiting expenditure levels to CPI and/or population growth.	Creates difficulty funding Current Service Level (CSL) and eliminates potential for enhancements. Requires millage reduction that will have negative impact on City Center CRA and South Pointe revenues.
Extend 3% assessment growth cap to all property.	Creates difficulty funding Current Service Level (CSL) and eliminates potential for enhancements without significant increases in the operating and debt service millage rates, which would impact homesteaded property owners.

Below, please find the estimated impact that some of the various proposals would have had on the current FY 2006/07 operating budget, had they been in place.

**Double the Homestead Exemption and Portability**

An increase of the Homestead Exemption from \$25,000 to \$50,000 would have an estimated impact of this increase is \$2.88 million. This could be offset with a reduction of the Homeowner's Dividend. As part of the City's 2007 State Legislative Agenda, approved by the City Commission on January 17, 2007, the City is supporting this increase of the Homestead Exemption, as well as the concept of portability.

**Cap on Revenues/Expenditures/Budget**

**Current Operating Budget**

FY 2005/06 Adopted Budget	\$207,925,117
Maintain Current Service Level in 06/07	\$16,940,264 (8.1% increase)
FY 2006/07 CSL Budget	\$224,865,381
Additional items:	
Pension Restructure	\$2,715,000
Service Enhancements	\$3,652,111
Internal Service Fund Enhancements	\$209,724
Increase of Homeowner's Dividend	\$1,630,880
Absorbing part of WASD fee impact	\$1,000,000
Structural Enhancements	\$3,600,000
Adopted FY 2006/07 Budget	\$237,673,096

**House Bill 363**

House Bill 363 would allow an increase of two times CPI-U, equivalent to a 4.2% increase if it had been applicable for FY 2006/07:

FY 2005/06 Adopted Budget	\$207,925,117
House Bill 193 Allowance	\$8,732,855
<b>FY 2006/07 Maximum Budget</b>	<b>\$216,657,972</b>
Unmet Current Service Level 05/06	\$8,732,855
Total Undeliverable 06/07 Services	\$21,015,124 (9% of current operating budget)

This scenario would require a reduction of the operating millage from 7.2102 to 6.2861.

**House Bill 193**

House Bill 193 would allow an increase of the operating budget by the sum of the percentage change in population (-1.48%) plus the CPI-U (2.1%), or a 0.58% increase if it had been applicable to FY 2006/07:

FY 2005/06 Adopted Budget	\$207,925,117
House Bill 193 Allowance	\$1,276,505
<b>FY 2006/07 Maximum Budget</b>	<b>\$209,201,622</b>
Unmet Current Service Level 05/06	\$15,565,430
Total Undeliverable 06/07 Services	\$28,471,474 (12% of current operating budget)

This scenario would require a reduction of the operating millage from 7.2102 to 5.9582.

The intent of this scenario is to provide the ability for local governments to increase services due to growth in the resident population. However, it makes no provision for increased services in response to the service impacts of other types of development, thereby penalizing more urban communities and vibrant tourist destinations.

The impact of these two scenarios on the City Center CRA and South Pointe revenues is estimated as follows:

	Current	HB 363	HB 193
<b>CITY CENTER</b>			
City Payment	\$18,569,009	\$16,183,100	\$15,344,633
County Payment	\$15,027,346	\$13,101,356	\$12,417,954
<b>Total Payment</b>	<b>\$33,596,355</b>	<b>\$29,290,456</b>	<b>\$27,762,587</b>
Reduction		-12.8% or -\$4,305,899	-17.4% or -\$5,833,768
<b>SOUTH POINTE</b>			
City Payment	\$19,493,389	\$16,995,006	\$16,108,500
County Payment	\$15,775,418	\$13,753,552	\$13,036,129
<b>Total Payment</b>	<b>\$35,268,807</b>	<b>\$30,748,557</b>	<b>\$29,144,629</b>
Reduction		-12.8% or -\$4,520,250	-17.4% or -\$6,124,178

At this time, the proposed legislation that caps the growth of local government operating budgets states that this limitation may be overcome by a finding of necessity due to emergency or critical need approved by a super majority vote of the governing body.

**Application of the 3% assessment growth to all property, rather than homesteaded property**

	Homestead Only	All Property
2005/06 Total Taxable Value	\$17,450,000,000	\$17,450,000,000
2005 New Construction	\$786,000,000	\$786,000,000
2006/07 Total Taxable Value	\$22,740,000,000	\$18,759,500,000
Tax from operating Millage of 7.2102	\$163,959,948	\$135,259,747
Tax from debt service of .299	\$6,799,260	\$5,609,091

If applied to the current budget year, this proposal would have resulted in a 2006/07 budget with \$28,700,201 fewer dollars with which to provide services (representing 12% of the current operating budget).

In order to maintain the revenues of \$163,959,948 and meet debt requirements, the operating millage would need to be increased to 8.7401 and the debt service millage to .362. The impact on the average homestead property would be a 21.2% increase in the City portion of their property tax. There would most likely be a similar increase to the County portion of their tax bill as well.

**Florida League of Cities and Florida Association of Counties**

Below, please find a brief summary of the positions of the League of Cities and the Association of Counties related to property tax reform.

**Florida League of Cities**

- Establish a more simplified and informative truth-in-millage (TRIM) process
- Establish an equitable assessment system with uniform standards for all property based on the market value of the property's current use
- Establish a statutory ceiling determined by the average assessment change in the previous five years
- Authorize municipalities and counties to provide exemptions or changes to property tax assessment criteria (e.g., Save Our Homes, Save Our Seniors, portability of exemptions, etc.) under specific circumstances
- Provide State financial assistance (in a revenue-neutral manner) if exemptions or changes to property tax assessment criteria are implemented Statewide
- Establish specific assessment criteria and standards for the taxation of very-low, low, and moderate-income housing
- Authorize assessment of new construction on a partial-year basis

**Florida Association of Counties**

- Supports reasonable limits on the rate of property tax assessment increases
- Opposes modifications to the property tax structure that erode the existing tax base
- Establish a \$25,000 exemption for tangible personal property taxes for businesses
- Establish a ten percent (10%) cap for non-homestead and commercial property with revaluation upon change of ownership or use of property
- Assess affordable rental housing based on the actual rental income of the property
- Assess commercial and recreational working waterfronts based upon the current use of the property by local option, and require upon discontinuance of such use, taxes that would have been due on the highest and best use for the last three (3) years become due
- Revise the truth-in-millage (TRIM) process to include better information

**Additional Information**

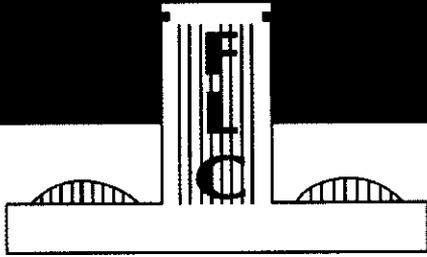
Additional information on property tax related information, including proposed legislation and media coverage may be found on the City's website. From the front page, there is a Legislative Affairs link under the E-Government tab. The Legislative Affairs page includes a link for Property Tax, with links to additional information.

The Administration will continue to monitor and update you on this issue as the 2007 Session of the Florida Legislature approaches. In the meantime, if you have any questions or comments, please do not hesitate to contact me.

JMG/KB/kc

Attachments (2)

c: Executive Staff  
Kevin Crowder, Economic Development Division Director  
Jose Cruz, Budget Officer



# ***LEGISLATIVE ALERT***

***IMMEDIATE ACTION REQUESTED!***

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## **Time Sensitive**

**TO:** FLC Board of Directors  
Key Officials  
Advocacy Committee  
Legislative Key Contacts  
Local and Regional Leagues

**FROM:** John Charles Thomas, Director  
Legislative and Public Affairs

**DATE:** January 26, 2007

**RE:** Action Needed Immediately on Property Tax Reform

The Florida Legislature is now focusing its efforts on passing significant property tax reform that could have a significant impact on local government budgets. Governor Charlie Crist and House Speaker Marco Rubio have expressed support for passing a constitutional amendment that could go to the voters as early as this summer.

Some legislative proposals include capping local government expenditures and/or revenues.

It is imperative that city officials contact their House and Senate members immediately and let them know of your city's opposition to legislation that would cap municipal expenditures or revenues. This is a complete assault on Home Rule and your legislators need to know the impact this would have on your cities.

The Florida League of Cities supports comprehensive reform that would create a system that is fair and equitable to all citizens in Florida.

Contact information for House and Senate members can be found at:

House of Representatives: [www.myfloridahouse.com](http://www.myfloridahouse.com)

Senate: [www.flsenate.gov](http://www.flsenate.gov)

Please contact me or Allison Payne at the League at (800) 342-8112 or e-mail: [apayne@flcities.com](mailto:apayne@flcities.com) should you have any questions. Thank you.

Attachment



**2007 Regular Session  
Property Tax Bills**

				Benefit (first 25K taxable, next 50K Not taxable)	approve Portability			
551	Schenck	\$: 170, 688			Portability if Home is Taken with Eminent Domain		x	
571	Lorente			Doubles Homestead			x	
652	Baker						x	Non Homesteaded Property Capped At 5% increase per Year.
688	Geller	S: 551, 170			Portability if Home is Taken with Eminent Domain		x	
694	Saunders				Portability with 2 year Window provided you Do not move out of State in that time and Come back. Deals With a Cap Differential.		x	
722	Atwater	I:261						Eliminates Highest and Best Use Requires use of Present Value PAs only to consider the income On income producing property
786	Garcia							Shell Bill
788	Garcia							Shell Bill
790	Garcia							Shell Bill
852	Fasano	S: 473		Valuation of property based on Comps of homes that have been Assessed for 5 & 10 years. Take the average of the two.				

**S = Similar  
I = Identical  
L = Linked**

**Prepared By: Jon Costello  
Rutledge, Ecenia, Purnell, and Hoffman P.A.  
2/8/2007**

**2007 Regular Session  
Property Tax Bills**

Bill Number	Author	Effective Date	Original Purpose	Paraphrase	Current Bill Description	Amendment	Comments
888	Posey	L: 890	Eliminates Homestead				
890	Posey	L: 888	Applies "Save our Homes" To all real property				Requires DOR To report all local Government Ad Valorem Tax increases
153	Seiler	S: 560					Counties can not Increase budget more than Percentage of increase to population
193	Mayfield						No .5 cent sales tax money over A capped millage rate
220	Lynn	I: 503					County's operation budget Shall not exceed two Times the per capital Percentage change in The consumer price index
363	Long	I: 722					No .5 cent sales tax money For counties that go over A capped millage rate
503	Cusack	S: 158					Requires reporting of Changes in millage rates
560	Atwater	S: 153					

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