



Office of the Town Manager

Steven J. Alexander
Town Manager

MEMORANDUM

To: Mayor and Council

From: Steven Alexander

Date: July 10, 2009

Re: Millage rate **REVISED**

BACKGROUND

Section 200.065, Florida Statutes, requires that each taxing authority advise the property appraiser of its proposed millage and special assessment rates within 35 days of certification of value so the information can be included in the Notice of Proposed Property Taxes mailed to property owners in August. This Statute also establishes and describes the requirement that the governing body of each taxing authority hold public hearings on the tentative budget and proposed millage rate.

Legislation adopted by the State last year established requirements for the approval of millage rates in September. Millage rates at or below the state-defined maximum millage rate require an affirmative vote of a majority of the Council; however, Cutler Bay was provided a reprieve from this limitation for five years, which period will end with our next budget year. Thereafter, if the Town's millage rate is above the state-defined maximum millage rate, it will require an affirmative two-thirds vote of the Council.

The Property Appraiser will mail required notices to all property owners in August, using proposed tax rates adopted by all taxing authorities in Miami-Dade County. Thus, the millage rate you set will be used in the notice and will effectively represent the ceiling for Cutler Bay property taxes that appear on the tax bill.

As the Council is aware, the millage rate cannot be raised at the first budget hearing without again notifying all affected property owners by mail. At the second public budget hearing, the millage rate cannot be



increased above the rate adopted at the first budget hearing. For purposes of approving the rates to be used for notification purposes, only a simple majority vote is necessary at this time. The FY 2009-10 Proposed Budget will be based on the maximum millage rate reported prior to the August 4 deadline.

The revised tax roll was only provided to us on July 1, 2009, leaving little time to brief the Council prior to the July Council meeting. Although it is preferable to set the maximum tax rate as required by law at the regular July meeting, it is possible with the consent of the Council to delay this vote to a special meeting for the purpose of adopting the maximum millage rate.

ROLLBACK OPTION

Millage rates cannot be raised at the first budget hearing without again notifying all affected property owners by mail, and cannot be raised at the second budget hearing. To provide maximum flexibility, the Council may choose at this point to adopt the roll back millage rate, which would generate additional revenue as detailed in the table below and based on the July 1 property tax roll values. This rate will establish the expected revenues to be included in the Proposed Budget.

County precedents

The total millage for all County operating purposes is fixed at 4.8733 mills on the dollar of taxable value of all property in Miami-Dade County, Florida, for the 2008-09 fiscal year. This millage represents a 5.36 percent increase above the state-defined rolled-back rate and is 6.41 percent higher than the 2007-08 fiscal year countywide millage rate of 4.5796.

Thus, the County has recently raised the tax rate without undo levels of acrimony in an effort to continue to provide essential levels of services that the community depends upon the county to provide. Similarly this year, Mayor Carlos Alvarez has been quoted in the Herald as stating, "there is a real possibility of millage and fee increases" in the FY 2009-10 budget process. The article went on to say that Mayor Alvarez aims to send a budget to the BCC that doesn't compromise public safety or cut services to the point it jeopardizes residents' quality of life.

The County Manager was quoted in the same article, asserting "a budgetary gap of this magnitude cannot be closed through expenditure reductions alone without seriously impacting our core services." The





article stated that this is the first time that Miami-Dade's taxable values have dropped more than they did in 1993 in the aftermath of Hurricane Andrew. That drop was 2.9 percent. This year, the Cutler Bay reduction is over **19 percent!** That is the virtual equivalent of 6 Hurricane Andrews occurring at once. These are clearly extraordinary times that require extraordinary leadership and extraordinary courage. As always, we will endeavor to continue to provide the levels of services our community is accustomed to, with ever more limited resources available for this purpose.

Municipality precedents

Other nearby municipalities have recently made the decision to revise their tax revenue to reflect their rollback rate:

Palmetto Bay set millage at the rollback rate for FY 2008-09

Miami Gardens have exceeded the rollback rate every year for FY 2005 through FY 2008-9

Pinecrest set their Millage at their rollback rate for FY 2008-09

Homestead raised their tax rate in the last fiscal year and has verbally informed me that they may go up by one full mill this year.

South Miami raised their tax rate as well in the last fiscal year.

Doral has verbally indicated that they will raise taxes for FY 2009-10 despite not having to fund the county mitigation expense beginning this year.

Coral Gables just raised their maximum tax rate from 5.65 to 6.25 on July 8, 2009 for FY 2009-10.

FISCAL IMPACT

Given the current economy, especially the declining real estate market, we will continue to face funding shortfalls as we develop the budgets for at least the next two fiscal years. Significant challenges in addressing service priorities and requirements, which were the primary reasons for incorporating the Town of Cutler Bay, will remain. Not adequately or responsibly funding the budget by ensuring sufficient revenues would



counteract the benefit the Town has gained by removing ourselves from the County's apparent lack of services.

Because of the property valuation losses that have been prevalent in the past year, the responsible and responsive development of the FY 2009-10 Budget is a tremendous challenge. The revenue losses due in part to the implemented by the voter-approved increase of the homestead exemption from \$25,000 to \$50,000 have been staggering.

Based on the June 1 preliminary tax roll, the Town began the process of drafting a budget some 15% less than the prior year budget due to the reduced property values caused by the current economic situation. The value of the certified tax roll for FY 2009-10 was released on July 1 and was lower (a total of over 19% lower than the prior year) than projected in the June preliminary estimation. To allow maximum flexibility in its budget deliberation, the Council may adopt a millage rate that generates revenue at the same level as in FY 2008-09. This is called the roll back rate, as it is the rate at which revenues are rolled back to those received prior to the loss in value of the tax roll.

A millage rate could be set at less than the roll back rate and even at that rate, the owner of a home of average value will still pay less in property taxes for FY 2009-10 than paid in FY 2008-09. As noted in Chart A, depending on the rate chosen by the Council, homeowners in Cutler Bay will be able to save money on their taxes over last year.

The revenue shortfall forecast for the next budget cycle clearly indicates the need to raise revenue. The public services that our community relies upon each day cannot be reduced to make up the difference without serious service level consequences.

The current millage rate (2.447) will generate \$5.25 million for the Town's FY 2009-10 general fund (budgeted at 95%), which is \$1.29 million, or 19.7%, less than budgeted for FY 2008-09. The owner of a home of average assessed value (\$101,462) would pay \$55 less in ad valorem taxes for FY 2009-10, at the current millage rate, as compared to FY 2008-09. This revenue loss results from the decline in the average assessed value from 2008-09 levels. Chart B has other possibilities for different rates based upon the same average home value.

IMPROVED SERVICE EXPECTATIONS





There is a great challenge in this temporary downturn: providing the community the upgraded services that they voted for upon incorporation, while remaining true to the wishes of those who hope to keep taxes low. It may be seen as a “bait and switch” or a failed promise to some if the town does not make good on its implied or perceived promise that it could provide better and quicker services than the county did for less taxes than the county is charging. However, we are in the middle of the “perfect storm”: economic downturn resulting in plummeting home values, passage of the homestead exemption increase and the portability of homestead values, combined with reduction in State revenue. If the Town of Cutler Bay wishes to continue to provide superior services, it remains apparent that taxes and/or revenues will have to increase.

Raising revenue is the smart, prudent way to confront our revenue shortfall. Deep cuts in spending would deprive all of our community, particularly the most vulnerable residents, of key public services at a time when they are most needed. For instance, we are most likely going to have to lay off some employees, in the administration and including possibly from the police force. It is most likely that we will have to reduce parks programming as well as many employees there and many public works functions will need to be suspended or severely reduced as the result of a low revenue budget. Maintaining a bare bones budget could deepen and prolong the downward economic spiral that our town has experienced.

Setting a tax rate that provides flexibility is a smart move, as the dismal revenue forecast leaves no doubt that the most sensible and necessary approach to Cutler Bay’s fiscal crisis may be to provide more services than can be funded by the existing millage rate, which is based on fallen values. The Town of Cutler Bay is in a rapid growth rate in terms of services it provides. The community demands services in excess of those delivered (or not) by the county in a more rapid and responsive manor than the county. With each passing month the town is more able to deliver more service, which is primarily limited by the towns budget constraints. This is both in terms of serving the vital needs of our residents and stabilizing our budget.





Chart A is the spreadsheet showing various rollback rate impacts to residents

	FY 2008-09 Budget (2.447 mil rate)	Current Year Millage Rate 2.447 mil rate	"Half Way" to Full Rollback Rate 2.75 mil rate	Just Below Full Rollback Rate 2.95 mil rate	Full Rollback Rate 3.031 mil rate
Projected General Revenues:					
Ad Valorem	6,538,046	5,248,821	5,898,756	6,327,757	6,501,502
Utility Taxes	1,910,000	1,875,300	1,875,300	1,875,300	1,875,300
Local Gov't Half-Cent Sales Tax	2,264,807	1,996,003	1,996,003	1,996,003	1,996,003
Communications Services Tax	1,538,143	810,333	810,333	810,333	810,333
Revenue Sharing	1,035,905	913,691	913,691	913,691	913,691
Franchise Fees	1,410,607	1,339,500	1,339,500	1,339,500	1,339,500
Occ Licenses, Burglar Alarms, Solid Waste	105,000	200,000	200,000	200,000	200,000
Parks Fees	178,635	148,460	148,460	148,460	148,460
Judgements and Fines	300,000	200,000	200,000	200,000	200,000
Misc Revenues	28,000	75,000	75,000	75,000	75,000
Investment Income	190,000	145,000	145,000	145,000	145,000
Sub-total	15,499,143	12,952,108	13,602,043	14,031,044	14,204,789
Transfer from Special Revenues	1,110,495	1,084,458	1,084,458	1,084,458	1,084,458
Carryover	3,479,507	2,438,108	2,438,108	2,438,108	2,438,108
Total Operating Revenues	20,089,145	16,474,674	17,124,609	17,553,610	17,727,355
Additional Revenue Generated at Stated Millage Rate over 2008-09 Millage Rate	N/A	N/A	649,936	1,078,936	1,252,681
Average Taxable Value of Cutler Bay Home	123,740	101,462	101,462	101,462	101,462
Cutler Bay Ad Valorem Tax Paid By Resident	303	248	279	299	308

NOTE: Based on the projected rollback rate of 3.0310 per \$1,000, any millage rate equal to or less than that rate would NOT be considered a tax increase per TRIM even though higher than the prior year millage rate of 2.4470 per \$1,000.



Chart B is the spreadsheet showing various partial rollback rates

BACKGROUND:

Rollback rate is the millage rate needed to generate the same amount of revenue in the upcoming year as was assessed in the current year. Setting the proposed millage rate equal to, or less than, the rollback rate does not result in a tax increase under TRIM rules even if that rate is greater than the current year millage rate. The rollback rate is inversely related to property values. When property values decline (as is the case in budget year 2009-10), the rollback rate will be higher than the current year millage rate and, conversely, the rollback rate will be lower than the current year millage rate in years in which property values increase.

	2009-10 Examples			2008-09 millage rate
	#1	#2	#3	
Assumed Rollback Rate	<u>3.0310</u>	<u>3.0310</u>	<u>3.0310</u>	
Assumed Proposed Millage Rate	3.0310	2.6500	2.4470	2.4470
Current Millage Rate	<u>2.4470</u>	<u>2.4470</u>	<u>2.4470</u>	
Differential	0.5840	0.2030	0.0000	
Assumed Taxable Value	<u>101,462</u>	<u>101,462</u>	<u>101,462</u>	
Revenue Difference recovered thru millage rate	<u>59</u>	<u>21</u>	<u>0</u>	
Average Taxable Value of Cutler Bay Home	<u>101,462</u>	<u>101,462</u>	<u>101,462</u>	<u>123,740</u>
Cutler Bay Ad Valorem Tax Paid By Resident	<u>308</u>	<u>269</u>	<u>248</u>	<u>303</u>

EXPLANATION OF RESULTS:

- Example 1 - setting the millage rate equal to the rollback rate, the Town receives the same amount of revenue from this parcel as it did in the current year. The resident has no net increase in the Cutler Bay portion of their ad valorem tax (the increased millage rate offsets the decreased property value yielding the same net property tax). The \$59 net affect essentially keeps the Town and the resident whole versus the current year.
- Example 2 - setting the millage rate to an amount below the rollback rate, but higher than the current millage rate, will result in some lost revenue for the Town as well as provide some property tax decrease to the resident. In this case, the Town would lose, and the resident would save, \$38 in property taxes (i.e. \$59 needed to be made whole, but only recover \$21).
- Example 3 - setting the millage rate equal to the current millage rate results in the Town absorbing the full impact of the decline in property tax values. In this case, the Town would lose, and the resident would save, \$59 in property taxes (i.e. \$59 needed to be made whole, but nothing recovered via the millage rate).





The tax rollback rate is the tax rate that would bring in the same amount of dollars from the previous year. Whenever a taxing authority does not alter the millage rate to an amount that would bring in the same dollars they are generating either more or less revenue. In the current economy the roll back rate is a higher rate due to property value slippage.

The County's public budget hearings have been scheduled for 5:01 p.m. on September 3, 2009, and September 17, 2009, and the School Board's public budget hearings have been scheduled for 5:01 p.m. on July 28, 2009, and September 9, 2009. Municipalities cannot hold their budget hearings on the same date as the County or the School Board.

Recommendation

It is recommended that the Council approve a millage rate which is between the roll back rate and the current rate, as indicated below, for use in preparing the "Notice of Proposed Property Taxes" to be mailed to all property owners in August.



RESOLUTION NO. 09-___

A RESOLUTION OF THE MAYOR AND TOWN COUNCIL OF THE TOWN OF CUTLER BAY, FLORIDA; DETERMINING THE PROPOSED MILLAGE RATE, AND THE DATE, TIME AND PLACE FOR THE FIRST AND SECOND BUDGET HEARINGS AS REQUIRED BY LAW; DIRECTING THE CLERK OR HER DESIGNEE TO FILE SAID RESOLUTION WITH THE PROPERTY APPRAISER AND TAX COLLECTOR OF MIAMI-DADE COUNTY; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, on July 1, 2009, Property Appraiser of Miami-Dade County, Florida (the "Property Appraiser") served upon the Town of Cutler Bay, Florida (the "Town"), a "Certification of Taxable Value" certifying to the Town its 2009 taxable value; and

WHEREAS, the provisions of Section 200.065, Florida Statutes, require that the Town, within thirty-five (35) days of service of the Certification of Taxable Value, furnish to the Property Appraiser and Tax Collector the proposed millage rate and the date, time and place at which public hearings will be held to consider the proposed millage rate and the tentative budget; and

WHEREAS, the Town is proposing the adoption of a millage rate of _____ mills and desires to set the dates for the first and second public hearings to adopt its budget and set the final millage rate.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND TOWN COUNCIL OF THE TOWN OF CUTLER BAY, FLORIDA, AS FOLLOWS:

Section 1. The above recitals are true and correct and incorporated into this resolution by this reference.

Section 2. That the proposed millage is declared to be _____ mills, which is \$ _____ per \$1,000.00 of assessed property within the Town of Cutler Bay, Florida.

Section 3. That the date, time and place of the first and second public hearings are set by the Town Council as follows:

<u>Date</u>	<u>Time</u>	<u>Place</u>
<u>First Budget Hearing:</u>		
<u>September 14, 2009</u>	<u>7:00 PM</u>	<u>South Dade Library Branch</u> <u>10750 SW 211 Street</u> <u>2nd Floor</u> <u>Cutler Bay, Florida 33189</u>

Second Budget Hearing:

September 23, 2009

7:00 P.M.

South Dade Regional Library
10750 SW 211 Street
2nd Floor
Cutler Bay, Florida 33189

In the event that either the Board of County Commissioners of Miami-Dade County, Florida or the Miami Dade County School Board schedule their Budget Hearings on a date set for a Town Budget Hearing, the Mayor is authorized to change the date, time and place of one or both of the Budget Hearings as required by general law. In the event the date, time or place of a Town Budget Hearing is changed the Town Clerk provide public notice in the manner required by general law and the Town Charter.

Section 4. That the Town Clerk is directed to send the original Certification of Taxable Value and a certified copy of this resolution to the Property Appraiser.

Section 5. This resolution shall be effective immediately upon its adoption.

PASSED and ADOPTED this _____ day of _____, 2009.

PAUL S. VROOMAN, Mayor

Attest:

ERIKA GONZALEZ-SANTAMARIA
Town Clerk

APPROVED AS TO FORM AND
LEGAL SUFFICIENCY FOR THE
SOLE USE OF THE TOWN OF CUTLER BAY:

WEISS SEROTA HELFMAN
PASTORIZA COLE & BONISKE, P.A.
Town Attorney

Moved By:
Seconded By:

FINAL VOTE AT ADOPTION:

Mayor Paul S. Vrooman _____

Vice-Mayor Edward P. MacDougall _____

Councilmember Timothy J. Meerbott _____

Councilmember Ernest N. Sochin _____

Councilmember Peggy R. Bell _____