



City of Gainesville Agenda Item Report

File Number: 2023-858

Agenda Date: September 7, 2023

Department: Office of Management and Budget

Title: 2023-858 Establishing a Tentative Millage Rate for Fiscal Year 2024 (B)

Department: Office of Management and Budget

Description: Per Florida Statutes Section 200.065, the City Commission is required to establish a Tentative Millage Rate for Fiscal Year 2024. The proposed Tentative Millage Rate for Fiscal Year 2024 is 6.4297 mills, which is 0.9297 mills or 16.9% above the Fiscal Year 2023 Millage Rate of 5.5000 mills. The proposed Tentative Millage Rate is 1.4533 mills or 29.20% more than the "rolled-back" rate of 4.9764. Based on the July 1, 2023 Certified Tax Valuation of \$10,186,842,781, the proposed Tentative Millage Rate is estimated to generate \$62.9 million in property tax revenue based on a 96% collection rate for the General Fund; \$15.4 million or 32.4% above the Fiscal Year 2023 estimated property tax revenue.

Fiscal Note: The Fiscal Year 2024 estimated property tax revenue, based on the Tentative Millage Rate of 6.4297 and a 96% collection rate, is \$62,878,409.

Procedure:

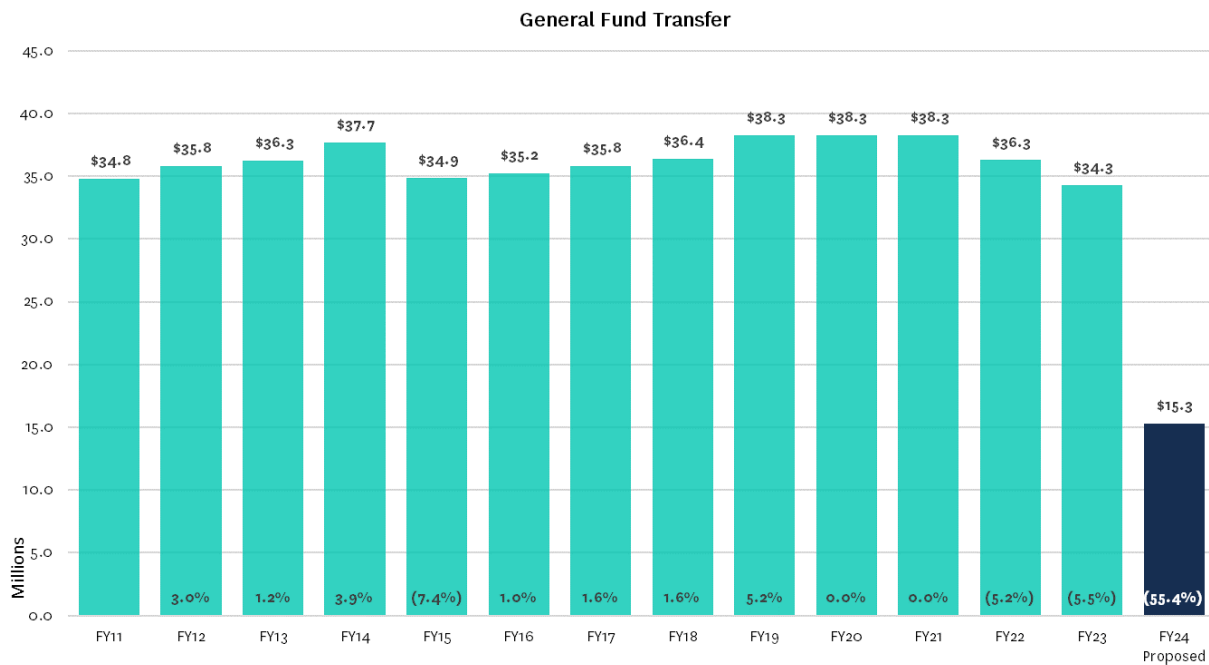
Florida Statutes, Section 200.065, requires that at the conclusion of the first public hearing on the proposed tax rate and budget, the City Commission proceed in the following specific manner:

1. Adopt a tentative ad valorem millage rate for Fiscal Year 2024 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; and, the date, time, and place of the second public hearing.
2. Adopt a tentative general operating budget for Fiscal Year 2024, which also includes budgets for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Proprietary Funds, and Fiduciary Funds. This is accomplished by adopting a companion Resolution (see accompanying tentative Financial and Operating Plan Agenda Item #2023-860).

Both the millage and budget Resolutions must be adopted again after a second and final public hearing.

Analysis of Property Values and Property Tax Revenue in Gainesville:

During the Fiscal Year 2024 Budget Development process, staff has indicated a need to increase the General Government millage rate to address the significant gap in revenue that resulted from the changes in the General Fund Transfer/Government Services Contribution formula that was approved by the City Commission on April 13, 2023 ([Agenda #2023-335](#)). The new formula reduced the planned General Fund Transfer/Government Services Contribution from \$32,283,000 to \$15,305,244, a decrease of \$18.9 million or 55.4%. The following table provides a historical summary of the General Fund Transfer/Government Services Contribution revenue to General Government.



One of the recommended budgetary levers to address this shortfall was to increase the City's millage rate by one mill, from 5.5000 mills in Fiscal Year 2023 to 6.5000 mills in Fiscal Year 2024. This estimated increase in the millage rate would be finalized once Taxable Valuations from the Alachua County Property Appraiser were received in June and July 2023.

On June 1, 2023, the City received the 2023 Estimated Taxable Values from the Alachua County Property Appraiser indicating that the overall taxable value for the City of Gainesville was approximately \$10,000,000,000. Overall, this represented a \$1.2 billion, or 13.6%, increase in values from the final Tax Year 2022 Certification of Taxable Value of \$8,965,992,444. This increase in Taxable Values would generate an

additional \$14.9 million in property tax revenue over prior fiscal year based on the new suggested millage of 6.5000 mills based on a 96% collection rate.

On July 1, 2022, the City received the 2023 Certification of Taxable Value from the Alachua County Property Appraiser indicating that the overall taxable value for the City of Gainesville was \$10,186,842,781, including \$277.4 million in new construction. Overall, this represents a \$186.8 million, or 1.9%, increase in values from the 2023 Estimated Taxable Values.

On July 20, 2023 the City Commission approved the Maximum/Not-To-Exceed Millage rate for Fiscal Year 2024 ([Agenda #2023-669](#)). Because of the increase in Taxable Value from June 1 to July 1, that positively impacted the property tax projections, staff reduced the recommended millage rate from 6.5000 mills to 6.4297 mills. The City Commission approved Maximum/Not-To-Exceed Millage was 6.4297 mills, which is 0.9297 mills or 16.9% above the previous fiscal year of 5.5000 mills. This proposed Maximum/Not-To-Exceed Millage rate is projected to generate \$62.9 million in property tax revenue in Fiscal Year 2024.

The following table summarizes these assumptions and calculations.

	Estimated Taxable Values - June 1	Certified Taxable Values - July 1	Estimated vs. Certified Taxable Value	Maximum/Not-To- Exceed Millage Rate - July 20
Taxable Valuation	\$ 10,000,000,000	\$ 10,186,842,781	\$ 186,842,781	\$ 10,186,842,781
Recommended Millage Rate	6.5000	6.5000		6.4297
Estimated Property Tax Revenue	\$ 62,400,000	\$ 63,565,899	\$ 1,165,899	\$ 62,878,409

Impact of Proposed Millage Levy on Homesteaded Property Owners:

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 property values as of July 1, 2023, for a single-family home in Gainesville, the median taxable property value is \$102,959 and the average taxable property value is \$117,078.

The following table provides an analysis of the proposed millage rate on homestead properties at varying property value levels.

Homesteaded Property												
Property Value	\$	150,000	\$	200,000	\$	250,000	\$	300,000	\$	350,000	\$	400,000
Adjusted Property Value with Homestead	\$	100,000	\$	150,000	\$	200,000	\$	250,000	\$	300,000	\$	350,000
Current Annual Property Tax Bill	\$	550.00	\$	825.00	\$	1,100.00	\$	1,375.00	\$	1,650.00	\$	1,925.00
Estimated Annual Property Tax Bill	\$	642.97	\$	964.46	\$	1,285.94	\$	1,607.43	\$	1,928.91	\$	2,250.40
Estimated Annual Variance	\$	92.97	\$	139.46	\$	185.94	\$	232.43	\$	278.91	\$	325.40
Estimated Monthly Variance	\$	7.75	\$	11.62	\$	15.50	\$	19.37	\$	23.24	\$	27.12

Impact of Proposed Millage Levy on Non-Homesteaded Property Owners:

The Non-Homestead assessment limitation limits the increase of a real property assessment at 10% each year for non-school board assessed values. The Non-Homestead assessment limitation is available to real property not receiving a homestead exemption or classification. It does not apply to tangible personal property. Increases in real property assessed value are limited to no more than 10%, as compared to the previous year, regardless of the market value increase. However, the assessed value may increase up to 10% per year, even if the market value remains the same (commonly referred to as “recapture”); unlike Homesteaded property, which can only go up by 3% or the CPI, whichever is lower.

The following table provides an analysis of the proposed millage rate on homestead properties at varying property value levels.

Non-Homesteaded Property												
Property Value	\$	150,000	\$	200,000	\$	250,000	\$	300,000	\$	350,000	\$	400,000
Current Annual Property Tax Bill	\$	825.00	\$	1,100.00	\$	1,375.00	\$	1,650.00	\$	1,925.00	\$	2,200.00
Estimated Annual Property Tax Bill	\$	964.46	\$	1,285.94	\$	1,607.43	\$	1,928.91	\$	2,250.40	\$	2,571.88
Estimated Annual Variance	\$	139.46	\$	185.94	\$	232.43	\$	278.91	\$	325.40	\$	371.88
Estimated Monthly Variance	\$	11.62	\$	15.50	\$	19.37	\$	23.24	\$	27.12	\$	30.99

Overlapping Jurisdictional Millage Rates:

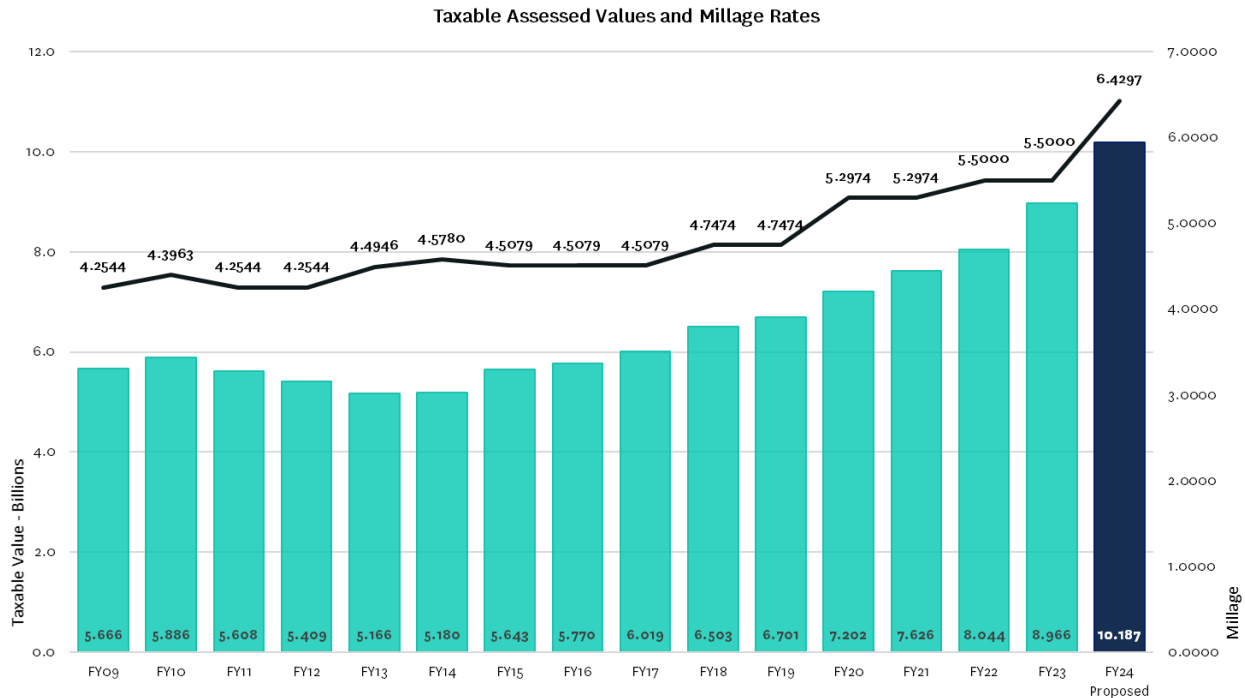
City of Gainesville property owners must also pay property taxes to Alachua County, the School District (State Law and Required Local Board), St. John's River Water Management District, the Library and Children's Trust. For Fiscal Year 2024, these taxing authorities represent 71% of a City of Gainesville property owner's tax bill.

With the proposed rates for FY 2024, the City of Gainesville portion of the total tax bill is approximately 29.0% and is 16.9% over prior fiscal year. The overall property tax bill is proposed to increase by 2.0%. The following table provides an overview of the millage rates for the aforementioned authorities for Fiscal Year 2023 and proposed for Fiscal Year 2024.

Taxing Jurisdiction	FY23 Adopted Millage Rate	% of Total Tax Bill	FY24 Proposed Millage Rate	% of Total Tax Bill	% Change vs. FY23
Alachua County	7.7662	36.2%	7.6414	34.5%	(1.6%)
Gainesville	5.5000	25.6%	6.4297	29.0%	16.9%
School District - State Law	3.2480	15.1%	3.2480	14.6%	0.0%
School District - Required Local Board	3.2500	15.1%	3.1840	14.4%	(2.0%)
St. John's River Water Management District	0.1974	0.9%	0.1793	0.8%	(9.2%)
Library	1.0565	4.9%	1.0339	4.7%	(2.1%)
Children's Trust	0.4612	2.1%	0.4612	2.1%	0.0%
Total	21.4793		22.1775		2.0%

Historical Perspective

The following table provides a historical overview of property tax valuations and corresponding millage rates for the City. In Fiscal Year 2014 and Fiscal Year 2015, the City adopted the rolled-back rate and in Fiscal Year 2019, the City adopted a millage rate below the rolled-back rate. The Fiscal Year 2024 proposed Tentative Millage Rate is 6.4297 mills.



Statutory Requirements:

Florida Statute 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, 2023), to advise the Alachua County Property Appraiser of the proposed 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 Fiscal Year 2024.

After setting the proposed Fiscal Year 2024 millage rate, the Mayor and City Commission may, at any time prior to final adoption, lower the proposed millage rate. However, increasing the proposed millage rate may only be accomplished by completing an expensive mailing and advertising process to every property owner in the City of Gainesville. The City's proposed millage rate, as well as those of other taxing authorities, is included in the Truth-in-Millage (TRIM) statement sent to each property owner in the City of Gainesville by the Alachua County Property Appraiser.

Tentative Millage Rate for Fiscal Year 2024:

The proposed Tentative Millage Rate for Fiscal Year 2024 is 6.4297 mills, which is 0.9297 mills or 16.9% above the Fiscal Year 2023 Millage Rate of 5.5000 mills.

"Rolled-Back" Rate:

As defined in Section 200.065, Florida Statutes, the "rolled-back rate" is that certain millage rate which, exclusive of: new construction, additions to structures, deletions, increases in the value of improvements that have undergone a substantial rehabilitation that increased the assessed value of the improvements by at least 100 percent,

property added due to geographic boundary changes, total taxable value of tangible personal property within the jurisdiction in excess of 115 percent of the previous year's total taxable value, and any dedicated increment value, will provide the same ad valorem tax revenue as was levied during the prior year less the amount, if any, paid or applied as a consequence of an obligation measured by the dedicated increment value.

The rolled-back rate for Fiscal Year 2024 is 4.9764 mills. The proposed Tentative Millage Rate for Fiscal Year 2024 is 6.4297 mills, 29.2% higher than the rolled-back rate. As a result, the City is required to publish a Notice of Proposed Tax Increase in accordance with the State of Florida's Truth in Millage (TRIM) requirements.

Second Public Hearing

The second public hearing to consider the Final Millage Rate for Fiscal Year 2024 shall be held on Thursday, September 21, 2023 at 6:00 P.M. at 200 East University Avenue, Gainesville, Florida 32601 in the City Hall Chambers.

Strategic Connection:

- ☐ Goal 1: Equitable Community
- ☐ Goal 2: More Sustainable Community
- ☐ Goal 3: A Great Place to Live and Experience
- ☐ Goal 4: Resilient Local Economy
- ☒ Goal 5: "Best in Class" Neighbor Services

Recommendation: City Commission 1) set the Tentative Millage Rate for Fiscal Year 2024 at 6.4297 mills, 2) adopt the proposed Resolution, and 3) set the date, time, and place of the second public hearing to be held on Thursday, September 21, 2023 at 6:00 P.M.