

Memorandum



Date: November 14, 2022

To: Honorable Chairman Jose "Pepe" Diaz
and Members, Board of County Commissioners

From: Daniella Levine Cava
County Mayor 

Subject: Annexations and the Unincorporated Municipal Service Area

The issue of annexation and incorporation is complex, and it's important that we both support the right of communities for self-determination while carefully planning for the future and setting policies that are equitable for all residents across Miami-Dade. While small annexations may not have an immediate impact on Unincorporated Municipal Service Area (UMSA), over time the cumulative effect of many annexations will require the County either to adjust services to the remaining UMSA areas or increase the millage rate. Through mitigation, we can help ensure that the creation of new cities doesn't lead to negative impacts for the residents of UMSA – either higher taxes or reduced services. Should the Board desire to approve these annexations, I recommend that mitigation be a consideration to offset some of the revenue loss to UMSA.

I look forward to continuing to work with the Board as we consider the future composition of the County that best serves all our residents.

Background

The State Constitution grants the Board of County Commissioners (Board) with the power to change the boundaries of municipalities and other municipal corporations through the home rule charter (Charter). Upon adoption of the Charter by the voters, the Board was given the authority, under Section 6.05, to create new cities; prior to the establishment of Metro government in 1957, this was completely governed by state law.

The Charter provides that the Board may create a new city after receiving a recommendation from the Planning Advisory Board (PAB), after a public hearing, and after approval of the majority of the voting electors in the proposed new municipality. The process for Board and PAB review and approval of municipal boundary changes – annexations and incorporations – is outlined in the Miami-Dade County Code of Ordinances (Code), Chapter 20. At the time the Charter was adopted, there were 26 cities in Miami-Dade County, which comprised 65 percent of the County's total population. Today there are 34 cities (inclusive of Islandia's dissolution) with approximately 56 percent of the total population.

This subject has been carefully analyzed and discussed over the years. Since the early 1990s, several reports and various committees have made recommendations regarding incorporation and annexation policies. Over the years, the Board has adopted legislation to change and better define the way incorporations and annexations occur in the County, and on April 3, 2012, the Board voted to lift the moratorium on incorporation.

On February 27, 2014, the Board adopted Resolution No. R-186-14, directing the Mayor to prepare a report and recommendations related to annexation and incorporation. On November 5, 2014, the Board adopted Resolution No. R-972-14, approving an agreement with PMG Associates, Inc. (PMG) to provide the Board recommendations for annexation and incorporation in UMSA. The PMG report was issued in October of 2015. On March 31, 2016, the Board

scheduled a Special Meeting to discuss the PMG report, where very few changes to the process resulted.

For the Board’s reference, the following are some of the reports that have been prepared by staff, task forces, and consultants:

- Touche Ross Recommendations; A Report on Two-tier Government June 12, 1978
- 1982 County Charter Review Commission Recommendations; January 1, 1982
- *Citizen’s Charter Review Committee on the Dade County Charter; Final Recommendations; April 1, 1986*
- Dade County Citizen’s Advisory Committee on Countywide Incorporation; Final Recommendations; February 1992
- Citizen’s Task Force on Incorporation; Final Recommendations; June 1994
- Planning Department Report: Issues Related to Incorporation; November 4, 1994
- County Manager’s Report on Incorporation; Recommendations; June 6, 1995
- Planning Advisory Board Resolution on Incorporation; Recommendations; June 21, 1995
- Boundaries Commission Report on Incorporation Issues; May 1996
- Revenue Sharing Taskforce Recommendations; July 22, 1997
- County Manager’s Report on Recommended Incorporation Policies; April 12, 1999
- Incorporation and Annexation Report and Policy Recommendations; July 12, 2001
- County Manager’s Incorporation and Annexation Policy Recommendations; February 25, 2002
- Board of County Commissioners Incorporation and Annexation Subcommittee; October 14, 2004
- Report on Incorporation and Annexation; June 2006
- Mitigation Adjustment Policy Review Task Force; July 11, 2006
- Report on Interest of Municipalities to Annex Neighboring MAC Areas; December 11, 2007
- Charter Review Task Force; January 29, 2008
- Comprehensive Accounting of the Unincorporated Municipal Service Area; February 14, 2014
- Comprehensive Analysis of the Unincorporated Municipal Service Area; February 24, 2014
- Analysis of incorporation and Annexation within the Unincorporated Areas; October 2015

Each of these reports is available on our website at:

www.miamidade.gov/global/management/incorporation-annexation-reports.page

Mitigation

Since the adoption of the Home Rule Charter until the 1990s, no incorporations and very few annexations took place. In 1991, Key Biscayne incorporated followed by Aventura, Sunny Isles Beach and Pinecrest during the 1990s; all wealthy donor areas within UMSA. It became apparent that wealthy areas of UMSA were incorporating and these revenues were no longer available to provide UMSA services. As a result, it became increasingly clear that if the annexations and incorporations continued among wealthy areas, UMSA would require continuing increases to the millage rate in order to provide residents with the same level of service.

To address this concern, the Board adopted several policies to safeguard UMSA, where a municipality or proposed municipality would mitigate some of the negative impact to UMSA if they chose to annex or incorporate a particular area. Miami Lakes, Palmetto Bay, and Doral were all donor areas, and as such all agreed to incorporate and configure their cities with the understanding that mitigation payments would be part of the incorporation. Miami Gardens and Cutler Bay were revenue-neutral and therefore were not required to make mitigation payments. Additionally, several annexations were also required to mitigate their respective impact on UMSA. The agreements negotiated as part of these incorporations required mitigation payments in perpetuity. In 2008 the Board allowed the municipalities of Miami Lakes, Doral and Palmetto Bay to phase out the payments after seven years. Additionally, the Board also phased out mitigation payments for annexations in the same format. Since 2000 the Board has approved 5 incorporations and 20 annexations; three of the incorporations and five of the annexations required mitigation payments.

During the public hearing for these annexations, it was mentioned that there were annexations that were not required to mitigate their negative effects on UMSA. The Miami Gardens annexation, approved in December of 2021, was not required to pay mitigation, as the area being annexed did not negatively impact UMSA – the expenses attributable to the area were less than the area’s estimated revenues. The Sweetwater annexation in October 2021 was also not required to pay mitigation. The Code allows for an exemption in the case of an annexing municipality’s per capita taxable value being less than the average per capita taxable value in the County, and as a result of the City of Sweetwater’s low per capita taxable value, mitigation was not required. Both Medley and Virginia Gardens have an above average per capita taxable value.

Property Owners

The Code requires an election if there are 250 registered voters or if the area is developed 50 percent residential. These areas being considered by the Board (Medley and Virginia Gardens annexations) are entirely commercial/industrial and will not require a vote. As previously mentioned by the Board, these business owners only have an opportunity to voice their concerns at the public hearings as these items are considered. Additionally, the residents of UMSA – who are also impacted by these annexations – do not have an opportunity to vote on whether the area should be removed.

Fiscal Impact

While small annexations may not have an immediate impact on UMSA, over time these annexations will require the Board to either adjust services to the remaining UMSA areas or increase the millage rate. Although UMSA has been blessed with very good growth, should these annexations of high value areas continue, there will come a point where it will no longer be feasible to have an unincorporated area.

The Medley annexation area’s 2021 preliminary roll taxable value for Sections 9, 14, 15, and 31 was \$926,360,291. Those areas generated approximately \$2,053,809 in revenue to UMSA. Miami- Dade County spent an estimated \$1,536,543 in the area for services. Therefore, the net revenue loss to the UMSA budget is an estimated \$517,266 if this annexation is approved. Additionally, the 2022 combined preliminary roll taxable value for sections 9, 14, 15 and 31 is \$1,065,909,661, which is an increase of \$139,549,370, 15 percent from the 2021 preliminary roll. Although the Town has reduced its millage rate by 1.8 percent from 3.9 mills to 3.2 mills, UMSA has also reduced its millage rate by 1 percent to 1.909 from 1.9283. Additionally, if the Town’s millage rate of 3.2 mills is applied to property folios in the sections the average property owner

would pay an additional \$1,913 in Section 9, \$710 in Section 14, \$1,678 in Section 15, and \$15,730 in Section 31.

The Village of Virginia Gardens annexation area 2021 preliminary roll taxable value generates \$2,769,257 in revenue to UMSA. Miami-Dade County spent an estimated \$2,092,784 in the area for services. Therefore, the net revenue loss to the UMSA budget is an estimated \$676,473 if this annexation is approved. Additionally, the 2022 preliminary roll taxable value is \$1,266,663,001, which is an increase of \$73,926,816 from the 2021 preliminary roll. The Village has reduced its millage rate by 1.07% from 4.9 mills to 4.6 mills. UMSA has also reduced its millage rate by 1 percent to 1.909 from 1.9283. Additionally, if the Village's reduced millage rate of 4.6 mills is applied to property folios in the annexation area, the average property owner would pay an additional \$5,516.

The recommendation provided to the Board includes these municipalities providing mitigation payments to the County for seven years. It is important to note that when these annexations were being considered in 2013, mitigation was recommended at that time.

- c: Geri Bonzon-Keenan, County Attorney
 Gerald Sanchez, First Assistant County Attorney
 Jess McCarty, Executive Assistant County Attorney
 Office of the Mayor Senior Staff
 David Clodfelter, Director, Office of Management and Budget
 Jorge Fernandez, Deputy Director, Office of Management and Budget
 Yinka Majekodunmi, Commission Auditor
 Jennifer Moon, Chief, Office of Policy and Budgetary Affairs
 Basia Pruna, Director, Clerk of the Board