



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

COMMITTEE MEMORANDUM

TO: Members of the Finance & Citywide Projects Committee

FROM: Jimmy L. Morales, City Manager

DATE: June 14, 2019

SUBJECT: PRELIMINARY FISCAL YEAR (FY) 2020 GENERAL FUND BUDGET UPDATE AND PROPOSED MILLAGE RATE

The Preliminary FY 2020 General Fund budget based on the 2019 Estimated Taxable Values as of June 1, 2019 provided by the Miami-Dade Property Appraiser's Office has a revenue increase of \$300,000, or 0.1 percent, and expenditure increase of \$5.2 million, or 1.5 percent, for a net difference of \$4.9 million. The Preliminary FY 2020 General Fund budget will be updated again following distribution of the Certified Taxable Values that will be provided by the Miami-Dade County Property Appraiser's Office on July 1, 2019.

The Preliminary Operating millage rate for FY 2020 is proposed to remain the same at 5.7288 mills while the Preliminary Voted Debt Service millage rate for FY 2020 is proposed to be increased by 0.1338 mills from the FY 2019 Adopted Debt Service millage rate of 0.1600 to 0.2938 mills based on the 3.0 percent increase in the 2019 Estimated Taxable Values over the 2018 Certified Taxable Values as reported by the Miami-Dade County Property Appraiser's Office. This increase in the Preliminary FY 2020 Voted Debt Service millage rate is necessary to fund the first tranche totaling \$153 million of the overall \$439 million General Obligation (G.O.) Bond program approved by the voters on November 6, 2018.

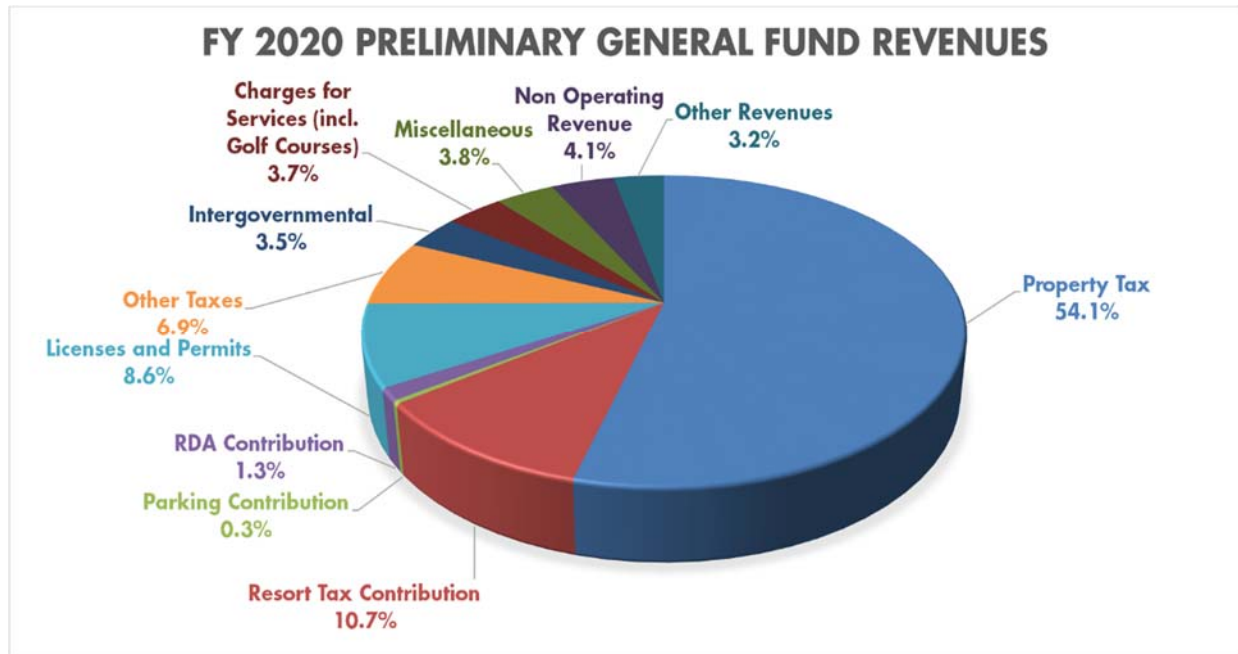
At the July 31, 2019 Commission meeting, the Mayor and City Commission will set the proposed millage rate for the FY 2020 budget process in accordance with the State of Florida's Truth-in-Millage (TRIM) requirements.

GENERAL FUND CURRENT SERVICE LEVEL BUDGET UPDATE

At the May 21, 2019 Commission Budget Workshop, the Mayor and City Commission was briefed regarding the Preliminary FY 2020 General Fund budget. The preliminary budget represents the cost of providing the same level of services as in the prior year and serves as the baseline of funding for the budget development process. The Preliminary FY 2020 General Fund budget reflected a net difference of \$9.5 million without any change in property tax revenues from the prior fiscal year. After accounting for all other General Fund revenues, the necessary increase in property values to balance the FY 2020 General Fund budget was estimated at approximately 5.6 percent.

Based on the 2019 Estimated Taxable Values as of June 1, 2019 provided by the Miami-Dade County Property Appraiser's Office, the City's overall property values increased 3.0 percent over

the 2018 Certified Taxable Values, which resulted in an increase of approximately \$4.7 million in General Fund property tax revenues. For FY 2020, preliminary property tax revenues comprise approximately 54.1 percent of total General Fund revenues and are a key driver of preliminary revenues as reflected below.



Overall, preliminary FY 2020 revenues are estimated to increase \$300,000, or 0.1 percent, primarily due to an increase of \$4.7 million in property tax revenues, which assumes keeping the current Operating millage rate flat at 5.7288 mills. This increase in property tax revenues for FY 2020 is, however, being largely offset by a decrease in Building, Planning, Fire, and Public Works-related permit revenues of \$1.7 million, a decrease in other taxes (franchise fees and utility taxes for electricity, gas, telecommunications, etc.) of \$1.5 million based on current year trends, a decrease in the use of prior year fund balance for “one-time” expenditures budgeted in FY 2019 of \$1.1 million as set forth by Resolution 2006-26341, and a decrease in miscellaneous revenues of \$92,000. These figures do not assume any change in the FY 2019 annual contributions from the City Center Redevelopment Agency (RDA) of \$4.4 million (as set forth in the 4th Amendment to the Interlocal Agreement with Miami-Dade County) or Parking Fund of \$1.2 million for FY 2020.

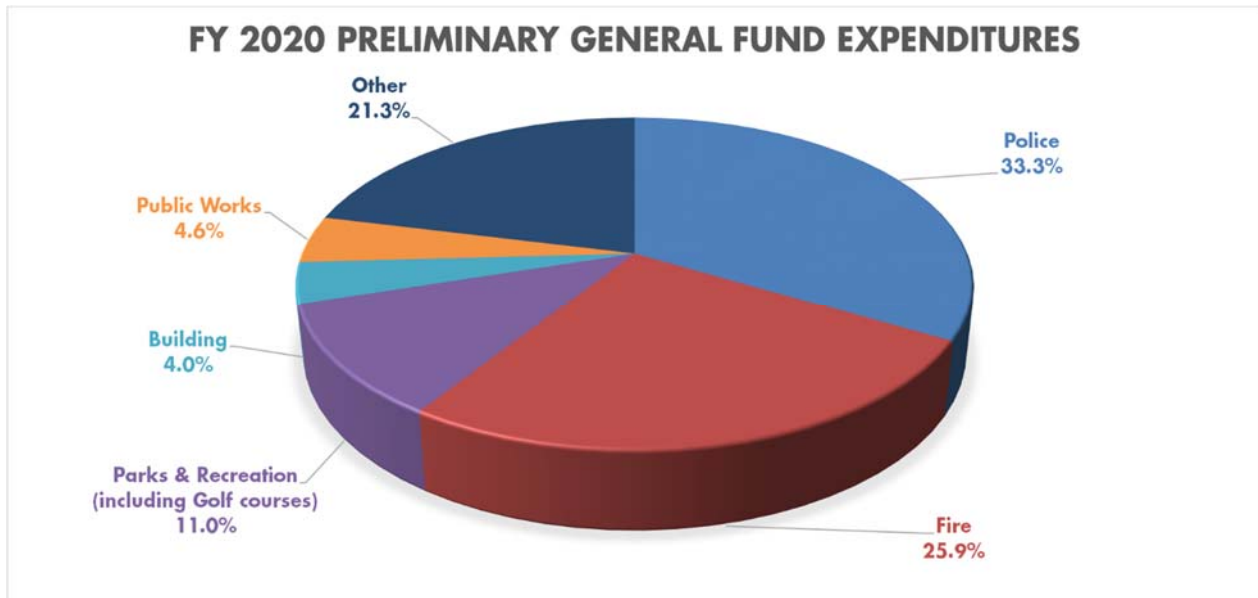
Preliminary FY 2020 expenditures are estimated to increase \$5.2 million, or 1.5 percent, primarily due to the following, of which the majority are contractually required:

Items Included in Preliminary FY 2020 Expenditures	\$
Pension Contributions	1,991,000
5% Step for Police and Fire	1,499,000
0-3% Merit Pay for all groups, except Police and Fire	794,000
1 percent Cost-of-Living Adjustment (COLA) 4/1/20	697,000
8 % Increase in Medical and Dental premiums	651,000
Increase in Citywide Grounds Maintenance (20% increase - January 2020)	600,000
Increase in Internal Services Chargebacks	289,000
Decrease in Building-Related Operations	(1,090,000)
Decrease in Public Radio System Debt Service	(1,240,000)
Miscellaneous Expenditures	138,000
Total	\$ 4,329,000

The preliminary FY 2020 budget also includes the annualized impact of the following additions that were approved by the Mayor and City Commission mid-year during FY 2019:

FY 2019 Mid-Year Adjustments	\$
STEAM Program	378,000
Re-organization of Tourism, Culture, and Economic Development department into two departments	221,000
Overnight Police Captain position for the Entertainment District	154,000
Addition resources for G.O. Bond program administration	133,000
Total	\$ 886,000

These expenditure figures do not assume additional savings from potential efficiencies and/or reductions and do not include the potential impacts of four out of the five collective bargaining agreements currently in ongoing negotiations that are yet to be ratified between the City and the Fraternal Order of Police (FOP), Communications Workers of America (CWA), Government Supervisors Association of Florida (GSAF), and American Federation of State, County and Municipal Employees (AFSCME).



The Preliminary FY 2020 General Fund budget will be updated again following distribution of the Certified Taxable Values that will be provided by the Miami-Dade County Property Appraiser on July 1, 2019.

PROPOSED GENERAL FUND MILLAGE RATE

There are two main components to the City's Total Combined millage rate, which are an Operating millage rate and the Voted Debt Service millage rate. The Operating millage rate, which is comprised of a General, a Renewal and Replacement, and a Pay-As-You-Go (PayGo) component, funds General Fund operating and capital expenditures while the Voted Debt Service millage rate funds debt service for previously issued G.O. bonds.

On November 6, 2018, the City of Miami Beach voters approved the issuance of a \$439 million G.O. Bond to fund a total of 57 capital projects citywide, ranging from vertical construction, roadwork, park constructions and renovations, technology implementation, renewals and repairs, and underground infrastructure work. The FY 2020 Voted Debt Service millage rate would provide for funding of the first tranche totaling \$153 million of the \$439 million G.O. Bond program through the assessment, levy, and collection of ad-valorem tax on all property with the City and the full faith, credit, and taxing power of the City pledged to the payment of the principal and interest of the bonds issued as part of the G.O. Bond approved by the voters.

In FY 2020, the total required debt service payment is \$11.8 million, which requires the levy of a Voted Debt Service millage rate of 0.2938 mills. The FY 2020 Voted Debt Service millage rate is 0.1338 mills more than the FY 2019 Voted Debt Service millage rate of 0.1600 due to the new G.O. Bond Program. The required \$11.8 million payment in FY 2020 is comprised of remaining debt service required for the City's 2011 G.O. Bonds of \$4.7 million, plus \$7.1 million attributed to the new G.O. Bond Program.

It is important to note that the required FY 2020 Voted Debt Service millage rate is reflective of approximately \$621,000 in anticipated debt service savings resulting from refunding of the City's

2003 G.O. Bonds during FY 2019 that will be carried forward and utilized to fund the required FY 2020 debt service payment for the City's outstanding 2011 and 2019 G.O. bonds.

	FY 2019 Adopted	FY 2020 Preliminary	Inc / (Dec)
General	5.6298	5.6298	0.0000
Capital Renewal & Replacement	0.0235	0.0235	0.0000
Pay-As-You-Go (PayGO)	0.0755	0.0755	0.0000
Total General Operating Millage	5.7288	5.7288	0.0000
Debt Service	0.1600	0.2938	0.1338
Total Combined Millage	5.8888	6.0226	0.1338

At the July 31, 2019 Commission meeting, the Mayor and City Commission will set the proposed millage rate for the FY 2020 budget process in accordance with the State of Florida's Truth-in-Millage (TRIM) requirements.

By August 4, 2019 the City Manager will certify the proposed millage rate to the Miami-Dade County Property Appraiser. The proposed millage rate will be included in the TRIM notices that will be mailed by the Property Appraiser on August 24, 2019. 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.

As such, the proposed millage rate effectively sets the "ceiling" for the millage rate during the budget process because it cannot be increased without sending out a new TRIM notice to all property owners in Miami Beach. However, the millage rate can remain the same or be decreased throughout the remainder of the budget process until the final millage rates are adopted by the Mayor and City Commission at the second public hearing to be held on September 25, 2019 at 5:01 p.m.

CONCLUSION

The Preliminary FY 2020 General Fund budget based on 2019 Estimated Taxable Values as of June 1, 2019 provided by the Miami-Dade County Property Appraiser's Office has a revenue increase of \$300,000 and expenditure increase of \$5.2 million for a preliminary net difference of \$4.9 million.

The Preliminary FY 2020 General Fund budget will be updated again following distribution of the Certified Taxable Values provided by the Miami-Dade County Property Appraiser on July 1, 2019. Recommendations regarding balancing of the Preliminary FY 2020 General Fund budget, including revenue and expenditure refinements and reductions/efficiencies, will be discussed at the upcoming July 19, 2019 and July 26, 2019 Finance and Citywide Projects Committee (FCWPC) budget briefings. An additional Finance and Citywide Projects Committee (FCWPC) budget briefing has been tentatively scheduled for July 31, 2019, if necessary.

At the July 31, 2019 Commission meeting, the Mayor and City Commission will set the proposed millage rate for the FY 2020 budget process in accordance with the State of Florida's Truth-in-Millage (TRIM) requirements.

In September, two public hearings will be held per the State of Florida's TRIM requirements. The first public hearing scheduled on September 11, 2019 will be to adopt the tentative millage rates and budgets for FY 2020. The second public hearing scheduled on September 26, 2019 will be to adopt the final millage rates and budgets for FY 2020. Both public hearings, which will begin at 5:01 p.m., will be held in the City's Commission Chambers at 1700 Convention Drive, 3rd Floor, Miami Beach, Florida 33139.

JLM/JW/TOS