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## COMMITTEE MEMORANDUM

TO: Members of the Finance & Citywide Projects Committee

FROM: Jimmy L. Morales, City Manager

DATE: July 19, 2019

SUBJECT: FISCAL YEAR 2020 PROPOSED OPERATING BUDGET AND 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 reflected a revenue increase of \$300,000, or 0.1 percent, and an expenditure increase of \$5.2 million, or 1.5 percent, resulting in a preliminary net General Fund shortfall of \$4.9 million.

	FY 2019 Adopted	FY 2020 Preliminary	\$ Variance	% Variance
Revenues	345,645,000	345,945,000	300,000	0.1%
Expenditures	345,645,000	350,860,000	5,215,000	1.5%
<b>Surplus/(Shortfall)</b>	<b>\$ 0</b>	<b>(\$ 4,915,000)</b>		

The 2019 Certified Taxable Values provided by the Miami-Dade County Property Appraiser's Office as of July 1, 2019 reflect a slight decrease in existing values of \$3.6 million, or 0.01 percent, compared to the 2019 Estimated Taxable Values provided by the Miami-Dade County Property Appraiser's Office as of June 1, 2019. Conversely, new construction values as of July 1, 2019 reflect an increase of \$67.5 million, or 28.7 percent, over the 2019 Estimated Taxable Values as of June 1, 2019. Overall, the 2019 Certified Taxable Values as of July 1, 2019 increased \$63.9 million, or 0.2 percent, over the 2019 Estimated Taxable Values as of June 1, 2019.

In addition, preliminary property tax revenue projections as of June 1, 2019 assumed property values within the City Center RDA would increase by approximately 5.0 percent over the certified July 1, 2018 values based on historical trends. However, based on the certified July 1, 2019 values provided by the Miami-Dade County Property Appraiser's Office, property values within the City Center Redevelopment Agency increased approximately 4.4 percent over the certified July 1, 2018 values, thereby slightly increasing citywide General Fund property tax revenues by a greater percentage than originally projected as of June 1, 2019.

Based on the increase in the 2019 Certified Taxable Values as of July 1, 2019 over the 2019 Estimated Taxable Values as of June 1, 2019 provided by the Miami-Dade County Property Appraiser's Office and the slight increase in General Fund property tax revenues resulting from the actual increase in the City Center RDA property values, General Fund property tax revenues increased by \$526,000, or 0.3 percent, resulting in a decrease in the preliminary net General Fund shortfall from \$4.9 million to \$4.4 million for FY 2020.

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	June 2019 Preliminary	July 2019 Certified	\$ Change	% Change
Property Assessment				
Existing Values	39,800,000,000	39,796,383,821	(3,616,179)	0.01%
New Construction	235,000,000	302,508,638	67,508,638	28.7%
Total Citywide	40,035,000,000	40,098,892,459	63,892,459	0.2%
City Center RDA	(6,292,859,957)	(6,258,372,786)	(34,487,171)	-0.5%
Citywide Total - Net of City Center RDA	33,742,140,043	33,840,519,673	98,379,630	0.3%
Property Tax Revenue Projection	186,863,000	187,389,000	526,000	0.3%

	FY 2019 Adopted	June 1 Values	July 1 Values	\$ Variance	% Variance
Revenues	345,645,000	345,945,000	346,621,000	976,000	0.3%
Expenditures	345,645,000	350,860,000	351,032,000	5,387,000	1.6%
<b>Surplus/(Shortfall)</b>	<b>\$ 0</b>	<b>(\$ 4,915,000)</b>	<b>(\$ 4,411,000)</b>		

The Administration is recommending a combination of revenue and expenditure refinements, expenditure reductions and efficiencies, and expenditure enhancements to close the projected General Fund shortfall for FY 2020, which if accepted by this Committee, would result in a net of \$213,000 that may be allocated.

The Operating millage rate for FY 2020 is proposed to remain the same at 5.7288 mills while the Voted Debt Service millage rate for FY 2020 is proposed to be increased by 0.1333 mills from the Adopted FY 2019 Debt Service millage rate of 0.1600 to 0.2933 mills based on the 3.1 percent increase in the 2019 Certified Taxable Values over the 2018 Certified Taxable Values as reported by the Miami-Dade County Property Appraiser's Office. This increase in the Voted Debt Service millage rate proposed for FY 2020 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.

	FY 2019 Adopted	FY 2020 Proposed	Increase/ (Decrease)
General	5.6298	5.6298	0.0000
Capital Renewal & Replacement	0.0235	0.0235	0.0000
Capital Pay-As-You-Go (PayGo)	0.0755	0.0755	0.0000
<b>Total General Operating Millage</b>	<b>5.7288</b>	<b>5.7288</b>	<b>0.0000</b>
Debt Service	0.1600	0.2933	0.1333
<b>Total Combined Millage</b>	<b>5.8888</b>	<b>6.0221</b>	<b>0.1333</b>

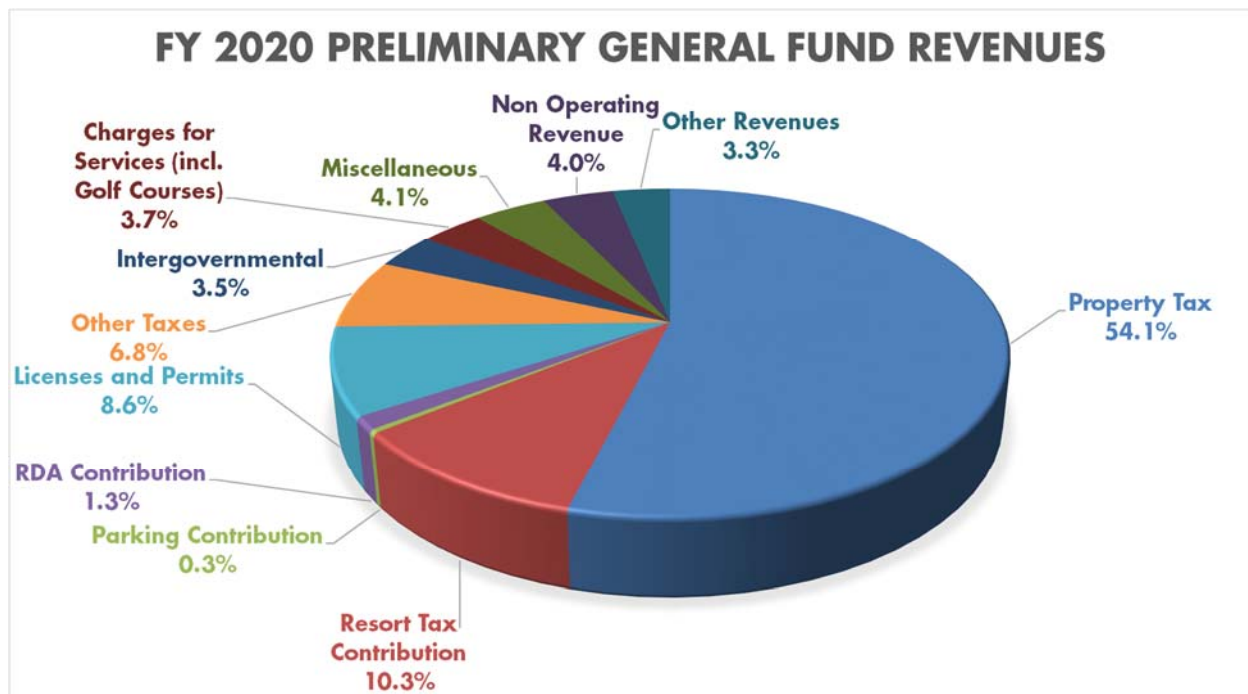
At the July 31, 2019 Commission meeting, the Mayor and City Commission will set the proposed millage rate for the FY 2020 budget process in accordance with the State of Florida's Truth-in-Millage (TRIM) requirements.

## **GENERAL FUND CURRENT SERVICE LEVEL BUDGET UPDATE**

At the May 21, 2019 Commission Budget Workshop and at the June 14, 2019 Finance and Citywide Projects Committee (FCWPC) 1<sup>st</sup> Budget Briefing, the Mayor and City Commission were

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 annual budget development process.

Based on the 2019 Certified Taxable Values provided by the Miami-Dade County Property Appraiser's Office as of July 1, 2019, citywide values increased approximately \$1.2 billion, or 3.1 percent, over the 2018 Certified Taxable Values, which resulted in an increase of \$5.2 million in General Fund property tax revenues. Property taxes comprise approximately 54.1 percent of total FY 2020 General Fund revenues and are a key driver of the proposed revenues.



Overall, FY 2020 General Fund revenues are estimated to increase \$976,000, or 0.3 percent, primarily due to an increase of \$5.2 million in property tax revenues, which assumes the City's Operating millage rate will remain flat at 5.7288 mills. This increase in General Fund 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 based on current year trends; 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 an increase in miscellaneous revenues of \$58,000. 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 4<sup>th</sup> Amendment to the Interlocal Agreement with Miami-Dade County) or Parking Enterprise Fund of \$1.2 million for FY 2020.

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Items Included in Preliminary FY 2020 Revenues	\$
Increase in General Fund Property Tax Revenues	5,221,000
Decrease in Building, Planning, Fire, and Public Works Permit Revenues	(1,696,000)
Decrease in Other Taxes (Franchise Fees and Utility Taxes for Electricity, Gas, Telecommunications, etc.)	(1,534,000)
Decrease in the use of Fund Balance for "One-Time" Expenditures Budgeted in FY 2019	(1,073,000)
Increase in Miscellaneous Revenues	58,000
<b>Total</b>	<b>\$ 976,000</b>

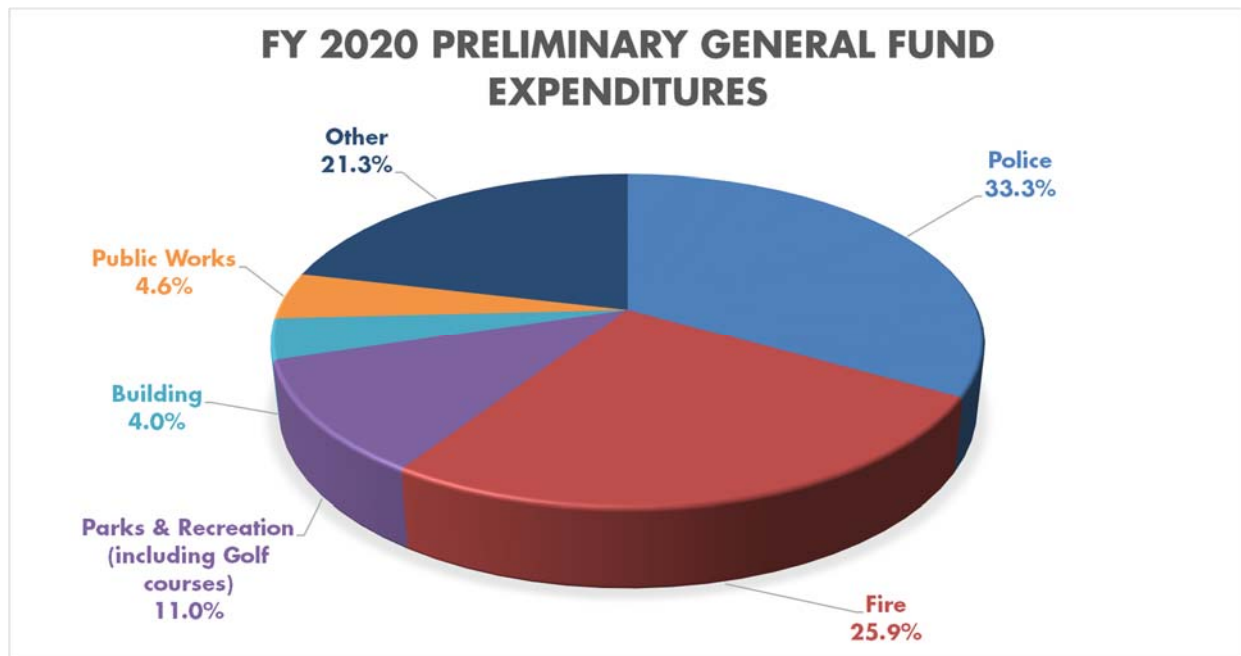
As noted at the June 14, 2019 FCWPC 1<sup>st</sup> Budget Briefing and updated based on the 2019 Certified Taxable Values as of July 1, 2019, preliminary expenditures are estimated to increase by \$5.4 million, or 1.6 percent, due to the following, of which the majority are contractually required:

Items Included in Preliminary FY 2020 Expenditures	\$
Pension Contributions	1,991,000
5 percent Step for Police and Fire	1,499,000
0-3 percent Merit Pay for all groups, except Police and Fire	794,000
1 percent Cost-of-Living Adjustment (COLA) 4/1/20	697,000
8 percent Increase in Medical and Dental premiums	651,000
Increase in Citywide Grounds Maintenance (20% increase - January 2020)	600,000
Increase in Internal Services Department Chargebacks	289,000
Decrease in Building-Related Operations	(1,090,000)
Decrease in Public Radio System Debt Service	(1,240,000)
Increase in Transfer to Capital Pay-As-You-Go and Capital Renewal and Replacement based on July 1 <sup>st</sup> Values and Millage	91,000
Increase in Miscellaneous Expenditures	219,000
Annualized Impact of FY 2019 Mid-Year Adjustments approved by the Mayor and City Commission (details in table below)	886,000
<b>Total</b>	<b>\$ 5,387,000</b>

As summarized above, details of the annualized impact of the additions approved by the Mayor and City Commission mid-year during FY 2019 are provided below:

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
Additional resources for G.O. Bond Program Administration	133,000
<b>Total</b>	<b>\$ 886,000</b>

It is important to note that these FY 2020 expenditures 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).



#### **PROPOSED ADJUSTMENTS TO THE FY 2020 GENERAL FUND BUDGET**

The FY 2020 General Fund budget based on the 2019 Certified Taxable Values provided by the Miami-Dade County Property Appraiser's Office as of July 1, 2019 reflects a revenue increase of \$976,000, or 0.3 percent, and an expenditure increase of \$5.4 million, or 1.6 percent, resulting in a preliminary net General Fund shortfall of \$4.4 million.

	FY 2019 Adopted	FY 2020 Preliminary	\$ Variance	% Variance
Revenues	345,645,000	346,621,000	976,000	0.3%
Expenditures	345,645,000	351,032,000	5,387,000	1.6%
<b>Surplus/(Shortfall)</b>	<b>\$ 0</b>	<b>(\$ 4,411,000)</b>		

As a result of the preliminary net General Fund shortfall of \$4.4 million for FY 2020, the Administration has identified a combination of revenue and expenditure refinements, revenue enhancements, expenditure reductions/efficiencies, and expenditure enhancements. These recommendations, if approved by this Committee, would result in a proposed unallocated General Fund surplus of \$213,000 which may be allocated at the discretion of the FCWPC.

FY 2020 Balancing Strategies	\$
<b>Preliminary Surplus/(Shortfall) as of July 1<sup>st</sup></b>	<b>\$ (4,411,000)</b>
Recommended Revenue Enhancements	792,000
Revenue Refinements	832,000
Expenditure Refinements	1,580,000
Recommended Reductions/Efficiencies	2,061,000
Recommended Expenditure Enhancements	(172,000)
Recommended "One-Time" Expenditure Enhancements	(2,109,000)
Use of Prior Year Fund Balance for "One-Time" Enhancements	1,640,000
<b>Net</b>	<b>\$ 213,000</b>

### Recommended Revenue Enhancements – Attachment A (\$792,000)

Attachment A reflects a listing of all proposed revenue enhancements along with detailed descriptions and those recommended. One General Fund revenue enhancement is being proposed and recommended for FY 2020, which is the following:

FY 2020 Revenue Enhancements	\$ Year 1
Indexing City Fees to Consumer Price Index (net of Building Fees)	792,000
<b>Total</b>	<b>\$ 792,000</b>

### Revenue Refinements (\$832,000)

In addition to the recommended FY 2020 revenue enhancements listed above, the Administration has further refined the FY 2020 revenue projections based on FY 2019 second quarter projected revenues. These adjustments have resulted in an increase of approximately \$832,000 in additional revenues projected for FY 2020, which are attributed to the following:

<b>FY 2020 Revenue Refinements</b>	<b>\$</b>
Increase in Intergovernmental/Utility Taxes Revenues	304,000
Increase in Business Tax Receipt Revenues	273,000
Increase in Beachfront Concessions Revenues	100,000
Increase in Fire Training and Technology Fund for Fire Department Operations	125,000
Increase in Resort Tax Contribution to Offset Cost of Recommended 26 <sup>th</sup> Street Lifeguard Staffing Enhancement	30,000
<b>Total</b>	<b>\$ 832,000</b>

### **Other Expenditure Refinements (\$1,580,000)**

Based on FY 2019 second quarter projected expenditures, the Administration has identified additional savings in the FY 2020 General Fund budget totaling \$1,580,000 from the following:

<b>FY 2020 Expenditure Refinements</b>	<b>\$</b>
Reduction in City's Health Insurance Premium for Non-Police and Fire Positions from 8% to 5%	276,000
Reduction in City's Health Insurance Premium for Police and Fire Positions from 10% to 8%	220,000
Reduction in Internal Services Chargeback to the General Fund	556,000
Reallocation of Public Works Director Salary and Benefits to Public Works Enterprise Funds	182,000
Reduction in General Fund Citywide Contingency from \$1.2 million to \$1.0 million	234,000
Reduction in Other Miscellaneous Operating Expenditures	112,000
<b>Total</b>	<b>\$ 1,580,000</b>

### **Recommended Expenditure Reductions/Efficiencies – Attachment B (\$2,061,000)**

In addition to the expenditure refinements above, Attachment B reflects a listing of all proposed FY 2020 service reductions and efficiencies submitted by departments during the budget process with detailed descriptions and those recommended by the Administration. FY 2020 General Fund reductions and efficiencies recommended by the Administration are comprised of the following:



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<b>FY 2020 Reductions/Efficiencies</b>	<b>\$ Year 1</b>	<b>Full-Time Positions</b>	<b>Part-Time Positions</b>
<u>Efficiency</u> of Vacant Full-Time and Part-Time Parks and Recreation Positions	313,000	2.00	8.00
Outsourcing of Miami Beach Tennis Center (Net Impact assuming Effective Date of January 1, 2020)	182,000	3.00	4.00
<u>One-Time</u> Restructuring of Grounds Maintenance Contract (Waiving bid and remaining with existing contractor)	469,000	0.00	0.00
<u>Efficiency</u> of Contracted Security Guard Expenditures for City Hall Weekends, Commission Meetings, and Miscellaneous Equipment Repairs and Maintenance	57,000	0.00	0.00
<u>Efficiencies</u> in Miscellaneous Police Operating Expenditures	197,000	0.00	0.00
<u>Efficiency</u> of Vacant Full-Time Public Works Positions	169,000	3.00	0.00
<u>Efficiency</u> of Filled (1) and Vacant (1) Full-Time Fire Department Positions	99,000	2.00	0.00
Elimination of CodeRed Emergency Notification System	46,000	0.00	0.00
<u>Efficiencies</u> in Miscellaneous Fire Operating Expenditures	103,000	0.00	0.00
Elimination of 1% COLA in April 2020 for Positions over \$100,000 (Citywide - \$141,000)	111,000	0.00	0.00
<u>Efficiency</u> in Citywide Tuition Reimbursement Expenditures	100,000	0.00	0.00
Reduction in Human Resources (\$5,000), Tourism and Cultural Development (\$5,000), and Public Works General Fund (\$5,000) Travel and Training Expenditures	15,000	0.00	0.00
Vacant Full-Time Marketing and Communications Position	97,000	1.00	0.00
Vacant Full-Time Code Compliance Position and Reclassification of Assistant Director Position to Admin Services Manager Position	92,000	1.00	0.00
Estimated General Fund Impact of Recommended Internal Service Department Reductions	11,000	0.00	0.00
<b>Total</b>	<b>\$2,061,000</b>	<b>12.00</b>	<b>12.00</b>

**Recommended Expenditure Enhancements – Attachment C (\$172,000)**

Attachment C includes a listing of all proposed FY 2020 enhancements requested by departments during the budget process with detailed descriptions and those recommended by the Administration. The following recurring General Fund enhancements are being recommended by the Administration for FY 2020:

<b>FY 2020 Expenditure Enhancements</b>	<b>\$ Year 1</b>
FY 2020 Phase-In of Living Wage (Citywide - \$504,000)	104,000
26 <sup>th</sup> Street Staffing of Lifeguard Stand (offset by recommended increase in transfer from Resort Tax Fund)	30,000
Estimated General Fund Impact of Recommended Internal Service Department Enhancements	38,000
<b>Total</b>	<b>\$ 172,000</b>



### **Recommended “One-Time” Expenditure Enhancements – Attachment C (\$2,109,000)**

As set forth by Resolution No. 2006-26341, the City can use one-time non-recurring revenue for capital expenditures or one-time expenditures and not to subsidize recurring personnel, operational and maintenance costs. The following General Fund items for FY 2020 are considered one-time in nature, and as such, can be funded utilizing fund balance.

In June 2019, the Administration enacted a hiring freeze as well as a freeze on City-funded travel and non-essential and non-construction expenditures, which is anticipated to result in one-time savings realized at fiscal year-end of 2019. As a result, the additional General Fund enhancements below, which are considered one-time in nature, are being recommended for funding utilizing the projected year-end FY 2019 General Fund surplus, based on second quarter projections, as noted in the June 26, 2019 Letter to Commission (LTC 367-2019).

- **Additional One-Time Transfer for Capital Pay-As-You-Go (PayGo) Projects: \$469,000**  
As part of the City's ongoing FY 2020 Capital Budget development process, this one-time enhancement is being submitted to provide additional funding capacity for unfunded Capital PayGo project requests submitted during the FY 2020 Capital Budget development process. This one-time enhancement request is being proposed as a companion item to the proposed one-time FY 2020 reduction of the citywide grounds maintenance contracts for Public Works and Parks. It is important to note that this recommended one-time enhancement is contingent on approval of the one-time citywide grounds maintenance contract reduction of \$469,000 recommended for FY 2020.
- **North Beach Community Redevelopment Agency (CRA) Plan: \$35,000**  
On January 19, 2019, the Administration retained Business Flare, LLC to explore a Finding of Necessity for the potential creation of a Community Redevelopment Area (CRA) in the North Beach area of Miami Beach. Following completion and consideration of the Finding of Necessity, should the City move forward with the creation of a CRA in North Beach, there will be a need to prepare a Community Redevelopment Plan for the new area.
- **Economic Vitality Strategic Plan: \$200,000**  
Develop a data-driven strategic planning process that will meet the following objectives: (1) create a forward-thinking economic vitality strategy for Miami Beach that encompasses existing conditions and competitive advantages, considers the City's unique position in the greater Miami region, and anticipates future market shifts in demographics and lifestyles; (2) refresh the mission, services and structure of the City's economic development department; (3) engage City staff, business and civic leaders, and other community stakeholders in a participatory process to develop the economic vitality strategic plan; (4) develop recommendations to guide economic vitality to enhance its value proposition for all community stakeholders.
- **South Beach Store Front Covers: \$35,000**  
At the October 26, 2018 Finance and Citywide Projects Committee (FCWPC) meeting, the Committee was presented with Design and Architecture High School (DASH) student designs for store front covers. The recommendation was to ask the students to revise the designs to better reflect the Miami Beach essence and to ask the Marketing and Communications team to assist with the Miami Beach color palate, as well as advise the students along with the Planning Department team. The direction was to return with the

updated designs to the FCWPC and to potentially use these designs citywide. In February 2019, the storefront cover designs were received by the City.

- Washington Avenue Parklets: \$50,000  
On July 8, 2015, the Mayor and City Commission adopted Resolution No. 2015-29085, accepting the recommendation of the Land Use and Development Committee regarding the creation of a process and criteria for applications for parklets on a temporary basis, and further directing the Administration to develop criteria and a procedure for approval of parklets to be installed on a temporary basis on Washington Avenue between 5th Street and Lincoln Road. This enhancement is being submitted per the recommendation of the Finance and Citywide Projects Committee at its May 29, 2019 meeting to fund parklets on Washington Avenue.
- Small Business Development Program: \$75,000  
This enhancement request is being submitted for development of a small business development program that will be dedicated to helping existing and new businesses grow and prosper by providing free and confidential consulting and no- or low-cost training programs. The programs may help create and retain jobs, secure loans, increase sales, win government contracts, develop strategic business/marketing plans, and more.
- Pine Tree Drive Australian Pines Pruning: \$123,000  
The Australian Pines along the Pine Tree Drive corridor are in need of structural pruning to reduce the overall risk factors of these trees. Based on the last report submitted by our consulting arborist, over 80% of the Australian Pines require retrenchment pruning and or removal due to safety concerns to adjacent homes, pedestrians, and vehicular traffic. Failure to fund this request will leave overall maintenance unfunded and trees will continue to be a high liability to the City.
- Go Digital Program Implementation: \$105,000  
The Office of Housing and Community Services Department will be relocated to multiple sites, including an offsite trailer. Due to the limited space, the digitizing of files and documents will allow employees to easily access files and information in a timely manner.
- Camillus House Lazarus Project: \$47,000  
Due to the delay in launching the original one-year pilot of the Camillus House Lazarus Project in the City, a six-month enhancement is being requested. This enhancement will allow for Camillus House to deliver specialized outreach via the Project Lazarus Initiative to engage, assess, treat, and secure supportive permanent housing placements for persons who are chronically homeless and vulnerable in the City. These additional six months will allow the program to complete a year of services and obtain performance data and analyze the program for efficacy.
- South Pointe Park Cutwalk/Government Cut Erosion: \$200,000  
This enhancement request will provide funding for the City to engage a coastal engineering consultant to further evaluate the existing conditions, provide recommendations, obtain permits, and prepare construction plans and specifications for the South Pointe Park Cutwalk.

- Sea Level Rise Impact Study: \$300,000  
This enhancement will provide for the Planning Department to further assess and plan for the potential impacts of flooding and sea level rise to the neighborhoods and complete the guidelines and regulations for the renovation, raising, and/or re-purposing of historic structures in the remaining low-lying areas of the City.
- Re-Write City's Land Development Regulations: \$400,000  
This enhancement will provide for the updating of the City's Land Development Regulations (LDR) to eliminate inconsistencies and contravene sections of the City Code, which will simplify the Code and provide clarification on requirements and potentially faster turnaround times for permit and plans reviews.
- Conservation of the City's Public Art Projects: \$70,000  
This enhancement request will increase the FY 2020 funding allocated for Art in Public Places (AIPP) to provide for conservation of the City's public art projects on an as needed basis.

### **Parking and RDA Fund Transfers to the General Fund**

Is it important to note that the Administration's long-term objective is to reduce the subsidy from the Parking Enterprise Fund to the General Fund in order reduce the burden on the Parking Enterprise Fund. For FY 2020, the Administration is recommending that the transfer from the Parking Enterprise Fund to the General Fund remain consistent with the FY 2019 contribution of \$1.2 million.

Similarly, the Administration is recommending that the transfer from the City Center Redevelopment Agency (RDA) Fund remain consistent with the FY 2019 contribution of \$4.4 million. These RDA funds became available through approval of the Fourth Amendment to the Interlocal Agreement between the City of Miami Beach, the Miami Beach Redevelopment Agency, and Miami Dade County. Like the Parking Enterprise Fund, the City's long-term objective is to reduce the General Fund's reliance on this funding from the RDA over the next three years during each budget development cycle.

<b>Fiscal Year</b>	<b>\$ Parking Contribution</b>	<b>\$ RDA Contribution</b>
FY 2011	3,600,000	0
FY 2012	7,200,000	0
FY 2013	7,200,000	0
FY 2014	8,400,000	0
FY 2015	8,400,000	0
FY 2016	8,400,000	0
FY 2017	6,400,000	0
FY 2018	4,400,000	1,079,000
FY 2019	1,166,000	4,400,000
FY 2020	1,166,000	4,400,000

**OTHER FUNDS****2% Resort Tax Fund**

At the May 21, 2019 Commission Budget Workshop, the Mayor and City Commission were also briefed regarding the Preliminary FY 2020 Resort Tax budget.

	<b>FY 2019 Adopted</b>	<b>FY 2020 Preliminary</b>	<b>\$ Variance</b>	<b>% Variance</b>
Revenues	60,622,000	62,062,000	1,440,000	2.4%
Expenditures	60,622,000	61,312,000	690,000	1.1%
<b>Surplus / (Shortfall)</b>	<b>\$ 0</b>	<b>\$ 750,000</b>		

Preliminary 2% Resort Tax revenues are estimated to increase \$1.4 million, or 2.4 percent, over the Adopted FY 2019 budget while preliminary 2% Resort Tax expenditures are estimated to increase \$690,000, or 1.1 percent, over the Adopted FY 2019 budget due to the following:

<b>Items Included in Preliminary FY 2020 Revenues</b>	<b>\$</b>
Increase in 2% collections	1,497,000
Increase in Projected Interest Income	616,000
Decrease in the use of Fund Balance for "One-Time" Expenditures Budgeted in FY 2019	(651,000)
Decrease in Miscellaneous Revenues	(22,000)
<b>Total</b>	<b>\$ 1,440,000</b>

<b>Items Included in Preliminary FY 2020 Expenditures</b>	<b>\$</b>
Additional Transfer to Sanitation (\$2.5M of \$3.7M recommended)	727,000
Increase in Contribution to Greater Miami Beach and Visitors Convention Bureau (GMCVB) based on Agreement	461,000
Increase in Police, Code Compliance, Finance, and Internal Audit Personnel and Operating Expenditures	220,000
Cultural Activation Programming in Lummus Park	100,000
Increase in Miami Beach VCA Contribution based on Legislated Formula	72,000
Increase in Cultural Activation Programming for Memorial Day Weekend	35,000
Decrease in "One-Time" Police TOPS Pilot Program	(151,000)
Decrease in Resort Tax Contingency	(774,000)
<b>Total</b>	<b>\$ 690,000</b>

Based on actual collections as of April 2019, the projected Resort Tax surplus for FY 2020 is \$750,000 assuming a 1% increase over prior year collections thru September 2019 and a 2% increase in collections over FY 2019 year-end projections. As a result of the preliminary \$750,000 surplus projected for FY 2020, the Administration is recommending the following, which if approved by the Committee, would result in a balanced Resort Tax budget.

<b>FY 2020 Balancing Strategies</b>	<b>\$</b>
<b>Preliminary Surplus</b>	<b>\$ 750,000</b>
Recommended Expenditure Enhancements	(552,000)
Expenditure Refinements	(198,000)
Recommended "One-Time" Expenditure Enhancements	(1,900,000)
Use of Prior Year Fund Balance for "One-Time" Enhancements	1,900,000
<b>Net</b>	<b>\$ 0</b>

### **Recommended Resort Tax Enhancements – Attachment C (\$552,000)**

Attachment C includes a listing of all proposed FY 2020 enhancements requested by departments during the budget process, which includes detailed descriptions and those recommended by the Administration. For FY 2020, the Administration is recommending the following recurring enhancements for the Resort Tax Fund:

<b>FY 2020 Expenditure Enhancements</b>	<b>\$ Year 1</b>
Tourism Off-Duty Police Services (TOPS) Program	151,000
Contribution to the Miami Design Preservation League (MDPL) for Art Deco Weekend	100,000
Annual Painting of Lifeguard Towers	36,000
Miami Beach Pride Ferris Wheel	25,000
Additional Enhanced Holiday Lighting	140,000
Additional Cultural Arts Programming	100,000
<b>Total</b>	<b>\$ 552,000</b>

### **Other Expenditure Refinements (\$198,000)**

Based on the recurring FY 2020 Resort Tax enhancements recommended above, the Administration is recommending that the remaining unallocated Resort Tax surplus of \$198,000 be allocated as follows for FY 2020:

FY 2020 Expenditure Refinements	\$
Increase in Resort Tax Contribution to General Fund to offset Recommended General Fund 26 <sup>th</sup> Street Lifeguard Staffing Enhancement	30,000
Operating Contingency for Unforeseen Resort Tax Expenditures	168,000
<b>Total</b>	<b>\$198,000</b>

### Recommended “One-Time” Resort Tax Enhancements – Attachment C (\$1,900,000)

In addition, the following Resort Tax items, which are recommended for funding in FY 2020, are one-time expenditures, and as such, can be funded utilizing fund balance pursuant to Resolution No. 2006-26341:

- Police Services-Super Bowl 2020: \$1,500,000

This enhancement request will provide comprehensive police services and resources for Super Bowl 2020. Super Bowl 2020 events will occur over a 10-day, 2-weekend period, and will involve a major fan event at the Miami Beach Convention Center (the “NFL Experience”), numerous special event site activations at Ocean Drive/Lummus Park, a major concert on the beach, major traffic challenges, numerous VIP and high-security details, and excessive crowd conditions in the Entertainment District and at major hotel venues. This request, which will provide for needed overtime and logistical support, is based on experience with past Super Bowls, Memorial Day, Spring Break, and other high-impact events.
- City Services-Super Bowl 2020: \$250,000

This enhancement will provide funding for City services during Super Bowl 2020 per Commission direction as approved through Resolution 2018-30445 to support activities on Miami Beach, including major VIP and fan-based events at the Miami Beach Convention Center, as well as event activations throughout the City.
- Orange Bowl: \$150,000

This enhancement will provide for a one-time sponsorship to the Orange Bowl Committee based on support requested from the City Commission by the Committee to expand and deepen the Committee’s footprint in Miami Beach.

### Proposed Parking Rate Increases

At the May 21, 2019 Commission Budget Workshop, the Administration presented three viable options for parking rate increases during high impact periods, commencing in FY 2020, to ensure continued adequate funding for future capital projects and renewal and replacement of existing Parking Department assets. These three options for rate increases during high impact periods are being made in conjunction with the recommended continuation of the modified 1% Resort Tax Quality-of-Life allocation that was adopted in FY 2019.

- Option 1: High Impact Parking Rates (50% Increase) – \$270,000

This enhancement will amend the City Code to allow for the City Manager to approve a temporary parking rate increase of 50% during certain high impact period events.

- Option 2: High Impact Parking Rates (100% Increase) – \$397,000  
This enhancement will amend the City Code to allow for the City Manager to approve a temporary parking rate increase of 100% during certain high impact period events.
- Option 3: High Impact Parking Rates (100% Increase & Garages Alternative Flat Rate of \$30.00) – \$387,000  
This enhancement will amend the City Code to allow for the City Manager to approve a temporary parking rate increase of 100% during certain high impact events and a \$30 alternative flat rate in the garages.

### **Public Works Enterprise Funds**

Discussion of the Public Works Department's Enterprise Fund operations, including the overall Capital Improvement Plan (CIP) of Storm Water projects and funding, will take place at the July 26, 2019 Finance and Citywide Projects Committee 3<sup>rd</sup> Budget Briefing.

### **Sanitation Fund**

Discussion of the Sanitation Department's Zero-Based Budget will take place at the July 26, 2019 Finance and Citywide Projects Committee 3<sup>rd</sup> Budget Briefing. Simultaneously, potential options on how to address the Sanitation Fund's projected FY 2020 operating shortfall will be presented as well.

### **PROPOSED GENERAL FUND MILLAGE RATE**

There are two main components to the City's Total Combined millage rate. 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 General Obligation (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 required 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 within the City and the full faith, credit, and taxing power of the City pledged to the payment of the principal and interest on the bonds issued as part of the voter-approved G.O. Bond Program.

For FY 2020, the total required debt service payment is \$11.8 million, which requires the levy of a Voted Debt Service millage rate of 0.2933 mills. The FY 2020 Voted Debt Service millage rate is 0.1333 mills more than the Adopted FY 2019 Voted Debt Service millage rate of 0.1600 due to the new G.O. Bond Program. The required \$11.8 million payment for FY 2020 is comprised of remaining debt service required for the City's outstanding 2011 G.O. Bonds of \$4.7 million, plus \$7.1 million attributed to the new voter-approved 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 Proposed	Increase/ (Decrease)
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
<b>Total General Operating Millage</b>	<b>5.7288</b>	<b>5.7288</b>	<b>0.0000</b>
Debt Service	0.1600	0.2933	0.1333
<b>Total Combined Millage</b>	<b>5.8888</b>	<b>6.0221</b>	<b>0.1333</b>

Based on property values as of July 1, 2019, the median value of homesteaded property in Miami Beach was \$197,942 while the average was \$503,142 (assuming a 1.9 percent increase over the 2018 median and average homesteaded property value in accordance with the Save Our Homes Amendment to the Florida Constitution). The impact of the City's proposed FY 2020 Total Combined millage rate of 6.0221 mills on the median homesteaded property within the City would be an increase of \$48 while the impact to the average value homesteaded property within the City would be an increase of \$122 as reflected in the table below.

Homesteaded Properties				
	FY 2019		FY 2020	
	Median**	Average**	Median	Average
<b>2018 Preliminary Taxable Value**</b>	<b>\$ 194,251</b>	<b>\$493,753</b>	<b>\$ 197,942</b>	<b>\$ 503,134</b>
<b>City of Miami Beach</b>				
Operating	\$ 1,113	\$ 2,829	\$ 1,134	\$ 2,882
Voted Debt	31	79	58	148
<b>Total Miami Beach</b>	<b>\$ 1,144</b>	<b>\$ 2,908</b>	<b>\$ 1,192</b>	<b>\$ 3,030</b>
<b>\$ Change in Taxes</b>				
Operating			\$ 21	\$ 53
Voted Debt			27	69
<b>Total Miami Beach</b>			<b>\$ 48</b>	<b>\$ 122</b>
**Source: Miami-Dade County Property Appraiser's - 2018-average-median-homestead-residential-values file				

At the June 28, 2019 FCWPC meeting, the Committee requested that the Administration provide an analysis of the additional millage rate that would be necessary to fully fund the City's current capital renewal and replacement needs for FY 2020. Based on the 2019 Certified Taxable Values provided by the Miami-Dade County Property Appraiser's Office and the City's Total Combined millage rate proposed for FY 2020, the table below reflects different levels of additional funding for renewal and replacement of General Fund capital assets, including the actual amounts of unfunded FY 2020 Capital Renewal and Replacement (\$4.5 million) and Capital Pay-As-You-Go (\$7.0 million) requests, along with the additional necessary millage rate increases and impacts on

the median and average value of homesteaded property in Miami Beach as of July 1, 2019 reflected above.

<b>\$ Additional Funding</b>	<b>Additional Millage Required</b>	<b>Additional \$ Impact on Median Value</b>	<b>Additional \$ Impact on Average Value</b>
\$ 1,000,000	0.0306	\$ 6	\$ 15
\$ 4,504,000*	0.1377	\$ 27	\$ 69
\$ 5,000,000	0.1529	\$ 30	\$ 77
\$ 7,019,000*	0.2146	\$ 42	\$ 108
\$ 10,000,000	0.3057	\$ 61	\$ 154

It is important to note that any of the additional funding levels, corresponding required millage rate, and additional impact on the average median and average homesteaded property reflected in the table above, if approved by the FCWPC, would be in addition to the impact from the current Total Combined millage rate proposed for FY 2020.

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 at the July 31, 2019 Commission meeting,

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 FY 2020 operating budget will be finalized at the 3<sup>rd</sup> FCWPC Budget Briefing to be held on July 26, 2019. The enterprise funds will be addressed at this meeting along with other final budget decisions for the FY 2020 Proposed Budget.

At the July 31, 2019 Commission meeting, the Mayor and City Commission will set the proposed millage rate for the FY 2020 budget 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 25, 2019 will be

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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, 3<sup>rd</sup> Floor, Miami Beach, Florida 33139.

Attachment A – FY 2020 Revenue Enhancements

Attachment B – FY 2020 Service Reductions and Efficiencies

Attachment C – FY 2020 Enhancements

JLM/JW/TOS