



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

COMMITTEE MEMORANDUM

TO: Members of the Finance & Economic Resiliency Committee

FROM: Jimmy L. Morales, City Manager

DATE: July 17, 2020

SUBJECT: FISCAL YEAR 2021 PROPOSED OPERATING BUDGET AND MILLAGE RATE

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 General Fund is the primary source of funding for the majority of City services. Revenues are derived from ad valorem property taxes, franchise and utility taxes, business license and permit fees, revenue sharing from various statewide taxes, user fees for services, fines, rents and concession fees, and interest income. Additionally, intergovernmental revenues from Miami-Dade County and Resort Tax contribute funding for tourist-related services provided by General Fund departments.

FINANCIAL IMPACT OF COVID-19

On March 1, 2020, the Governor issued an Executive Order directing the Surgeon General of the State of Florida to issue a public health emergency, and in response to the pandemic outbreak of COVID-19, the Governor declared a State of Emergency on March 9, 2020. In direct response to the first confirmed case of COVID-19 in Miami-Dade County on March 11, 2020, the Miami-Dade County Mayor declared a State of Emergency for Miami-Dade County. The City Manager declared a State of Emergency in the City of Miami Beach on March 12, 2020. Subsequently, both the County and the City issued various Emergency Orders temporarily closing public and private facilities, including the temporary closure of all non-essential retail and commercial establishments and identifying essential retail and commercial businesses which may remain open. These actions have greatly limited the amount of economic activity taking place in the City of Miami Beach and continue to result in significant impacts to the City's finances.

In response to the projected revenue losses through the end of the fiscal year (FY), the Administration presented the City's budget-balancing plan to the Finance and Economic Resiliency Committee (FERC) on April 17, 2020. These plans emphasized cost reductions as much as possible, including a reduction in capital expenditures, and judiciously using reserves to make up the difference.

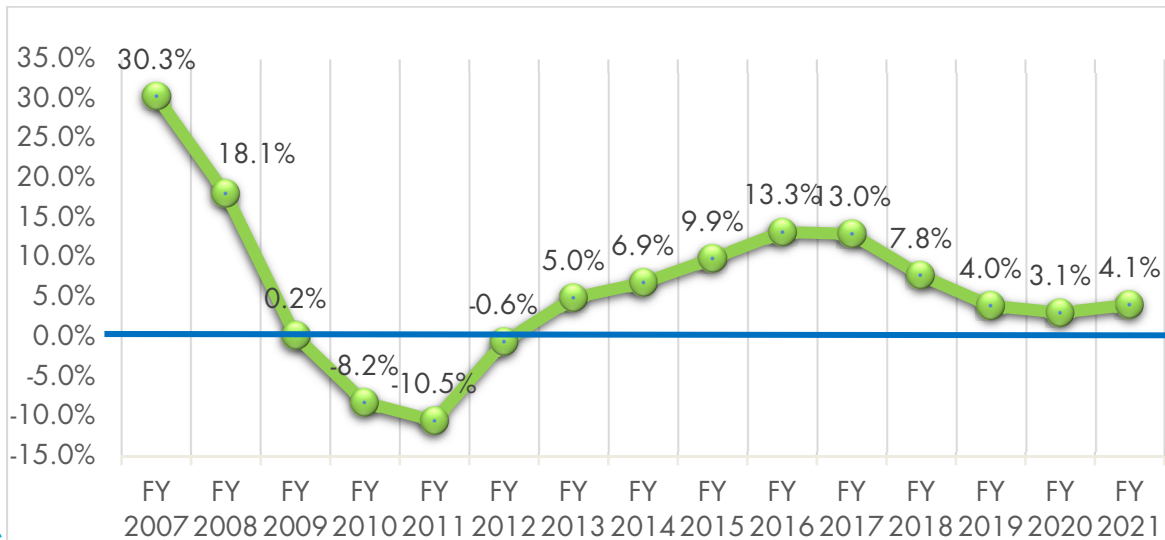
The chart below summarizes the total projected gap between the General Fund and Resort Tax Fund Preliminary FY 2021 Budgets, as presented at the be presented at the June 16, 2020 FERC meeting.

	NON-COVID-19	COVID-19
General Fund	(\$6.0 million)	(\$13.8 million)
Resort Tax	0	(\$18.3 million)
Total	(\$6.0 million)	(\$32.1 million)

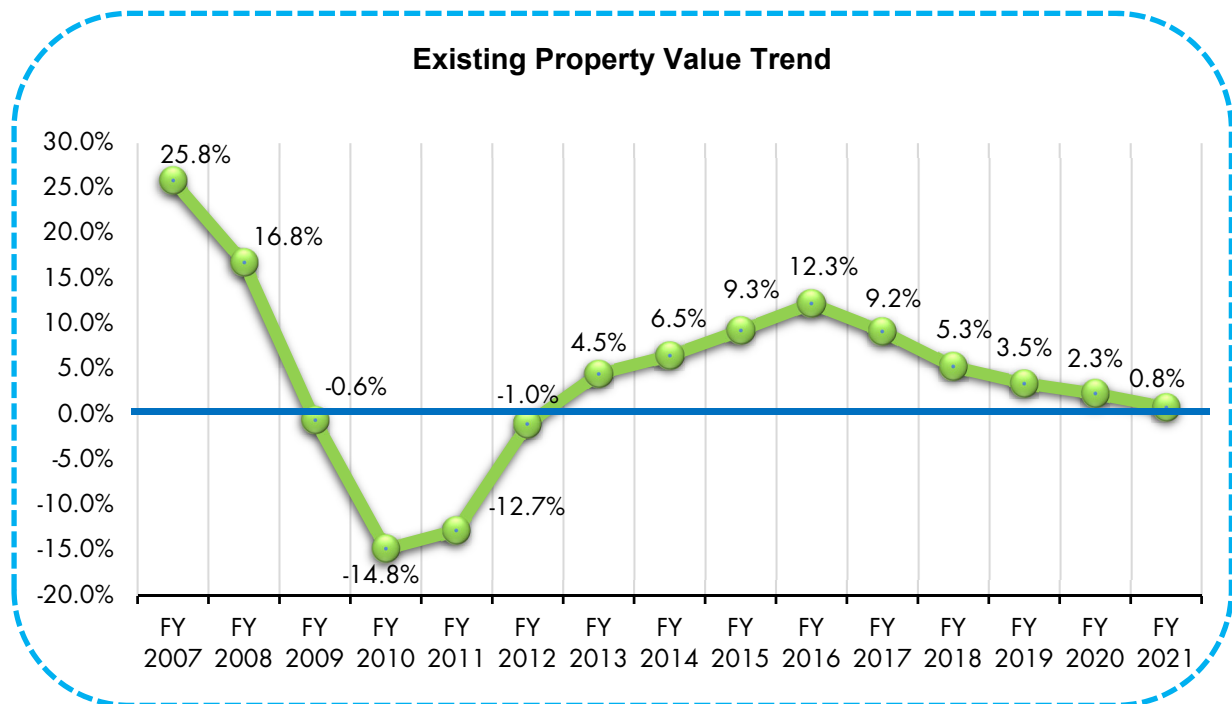
PROPERTY VALUES UPDATE

On July 1, 2020, the City received the 2020 Estimated Taxable Values from the Miami-Dade County Property Appraiser indicating that the overall taxable value for the City of Miami Beach was \$41.7 billion, including \$1.3 billion in new construction. Overall, this represents a 4.1 percent increase in values from the 2019 Certification of Taxable Value provided by the Miami-Dade County Property Appraiser on July 1, 2019.

Overall Property Value Trend



It is important to note that while the City's overall values increased by 4.1 percent, existing property values increased by 0.8 percent. Additionally, of the \$1.3 billion in new construction values, 77 percent was generated by 4 properties.



The Preliminary FY 2021 General Fund budget based on the 2020 Estimated Taxable Values as of June 1, 2020 provided by the Miami-Dade Property Appraiser's Office reflected a revenue increase of \$5.9 million, or 3.2 percent. The 2020 Certified Taxable Values provided by the Miami-Dade County Property Appraiser's Office as of July 1, 2020 reflect an increase in values of \$258 million, or 0.6 percent, compared to the 2020 Estimated Taxable Values provided by the Miami-Dade County Property Appraiser's Office as of June 1, 2020, for an overall increase in citywide General Fund property tax revenues of \$3.3 million. Of this increase, \$1.4 million was due to the increase in property values.

In addition, the preliminary property tax revenue projections as of June 1, 2020 assumed property values within the City Center RDA would increase by approximately 5.0 percent over the certified July 1, 2019 values based on historical trends. However, based on the certified July 1, 2020 values provided by the Miami-Dade County Property Appraiser's Office, property values within the City Center Redevelopment Agency (RDA) actually decreased by approximately \$54.0 million, or 0.9 percent, from the certified July 1, 2019 values. This reduction in the RDA's property value resulted in a \$1.9 million increase in citywide General Fund property tax revenues over the revenues projected as of June 1, 2020.

Citywide General Fund Revenues	\$ Change
Increase Due to July 2020 Property Value Increase	1,404,000
Increase Due to July 2020 RDA Property Value Decrease	1,898,000
Total Increase in Property Tax Revenue Projection	\$3,302,000

	June 2020 Preliminary	July 2020 Certified	\$ Change
Property Assessment			
Property Values	41,485,000,000	41,742,998,986	257,998,986
City Center RDA	6,571,291,425	6,204,385,940	(366,905,485)
Citywide Total - Net of City Center RDA	34,913,708,575	35,538,613,046	624,904,471
Property Tax Revenue Projection	193,315,000	196,617,000	3,302,000

PRELIMINARY GENERAL FUND UPDATE

Based on the 2020 Estimated Taxable Values provided by the Miami-Dade Property Appraiser's Office as of June 1, 2020, and as discussed at the June 16, 2020 FERC meeting, the overall Preliminary FY 2021 General Fund budget, without the impact of COVID-19 on revenues reflected a gap of \$6.0 million. The budget, inclusive of the COVID-19 impact on revenues, reflected a net gap of \$13.8 million.

	FY 2020 Adopted	FY 2021 Preliminary	\$ Variance	% Variance
Revenues	350,143,000	338,095,000	(12,048,000)	(3.4%)
Expenditures	350,143,000	344,064,000	(6,079,000)	(1.7%)
Surplus/(Gap)	\$ 0	(\$5,969,000)		
COVID-19 Related Revenues	0	(7,850,000)		
Revised Surplus/(Gap)	\$ 0	(\$13,819,000)		

Based on the increase in the 2020 Certified Taxable Values as of July 1, 2020 over the 2020 Estimated Taxable Values as of June 1, 2020 provided by the Miami-Dade County Property Appraiser's Office and the increase in General Fund property tax revenues resulting from the actual decrease in the City Center RDA property values, General Fund property tax revenues increased by \$3.3 million, or 1.7 percent, resulting in a decrease in the preliminary net General Fund gap without the impact of COVID-19 on revenues from \$6.0 million to \$2.7 million and preliminary net General Fund gap with the impact of COVID-19 on revenues from \$13.8 million to \$10.6 million for FY 2021.

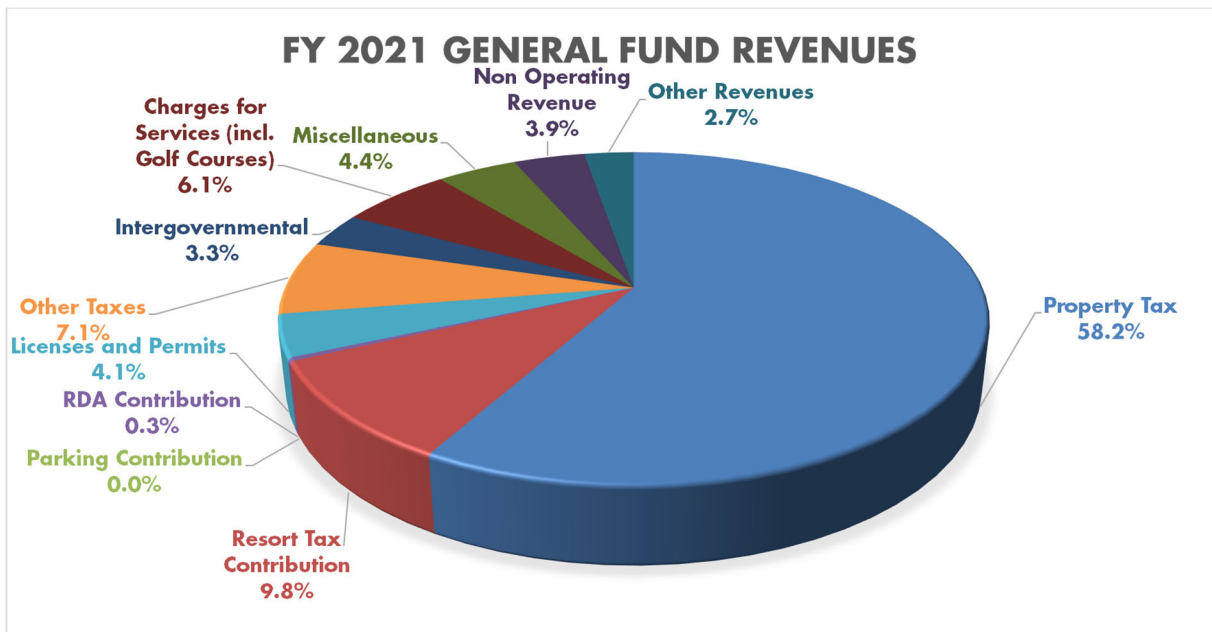
	FY 2020 Adopted	June 1 Values	July 1 Values	\$ Variance	% Variance
Revenues	350,143,000	338,095,000	341,397,000	3,302,000	1.0%
Expenditures	350,143,000	344,064,000	344,122,000	58,000	0.0%
Surplus/(Gap)	\$ 0	(\$5,969,000)	(\$2,725,000)		
COVID-19 Related Revenues	0	(7,850,000)	(7,850,000)		
Revised Surplus/(Gap)	\$ 0	(\$13,819,000)	(\$10,575,000)		

The Administration is recommending a combination of revenue and expenditure refinements, expenditure reductions and efficiencies, and expenditure enhancements to close the projected General Fund gap including the projected impact of COVID-19 for FY 2020, which if accepted by this Committee, would result in a net surplus of \$2.0 million that may be allocated at the discretion of the Commission.

GENERAL FUND CURRENT SERVICE LEVEL BUDGET UPDATE

At the June 16, 2020 Finance and Economic Resiliency Committee (FERC) 1st Budget Briefing, the Mayor and City Commission were briefed regarding the Preliminary FY 2021 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.

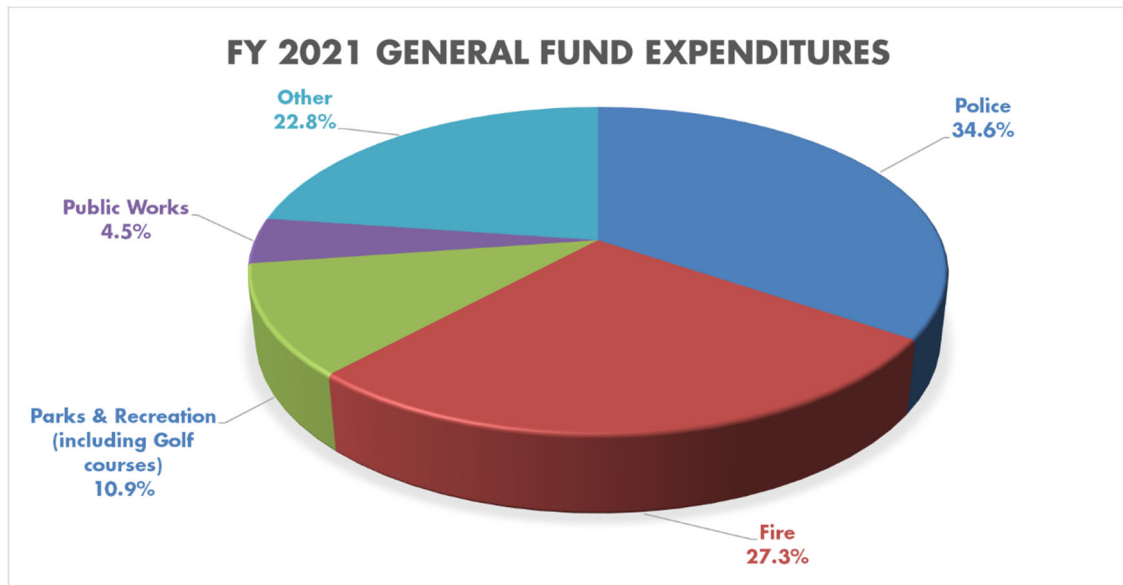
Based on the 2020 Certified Taxable Values provided by the Miami-Dade County Property Appraiser's Office as of July 1, 2020, citywide values increased approximately \$1.6 billion, or 4.1 percent, over the 2019 Certified Taxable Values, which resulted in an increase of \$9.2 million in General Fund property tax revenues. Property taxes are a key driver of the proposed revenues, and for FY 2021, represent approximately 58.2 percent of total General Fund revenues.



Preliminary FY 2021 revenues are estimated to decrease by \$16.6 million, or 4.7 percent. It is important to note that \$12.7 million, or 76.4 percent, of this reduction is due to the transfer of Building revenues to a stand-alone fund, as recommended by the OIG in FY 2020. The projected revenues also reflect a \$7.9 million reduction in revenues due to COVID-19. The chart below outlines the major variances.

Preliminary FY 2021 General Fund Revenue Variances	\$
Property Tax Revenues (based on 4.1% increase)	9,228,000
One-Time Use of Fund Balance in FY 2020	(2,378,000)
Transfer in from Resort Tax (based on 10% decrease)	(3,676,000)
Transfer in from Parking	(1,166,000)
Administrative Fees (based on 2019 Cost Allocation Study)	444,000
Other Miscellaneous General Fund Revenues	371,000
Sub-Total	\$2,823,000
Transfer of Building to Stand-Alone Fund	(12,673,000)
Insourcing of Flamingo Park Tennis Center	1,104,000
Sub-Total	(\$8,746,000)
COVID-19 Related Revenues	(7,850,000)
Total	(\$16,596,000)

As noted at the June 16, 2020 FERC 1st Budget Briefing and updated based on the 2020 Certified Taxable Values as of July 1, 2020, preliminary FY 2021 expenditures are estimated to decrease by \$6.0 million, or 1.7 percent. It is important to note that approximately \$15.0 million of this reduction is due to the transfer of Building expenditures and \$704,000 of OIG expenditures to stand-alone funds.



The chart below outlines the major variances.

Preliminary FY 2021 General Fund Expenditure Variances	\$
10% Increase in City's Health Contribution (Actives & Retirees)	3,320,000
Pension (Police & Fire 58% MBERP 42%)	1,604,000
5% Step Increase for Police & Fire	1,581,000
Annualized Impacts of Collective Bargaining Agreements	1,527,000
Internal Service Charges	1,073,000
1% COLA for All Groups (except 2% for CWA)	899,000
2% Merit for All Groups Except Police & Fire	718,000
Other Miscellaneous General Fund Expenditures	601,000
Increase in Transfer to PAYGO & CRR Funds	58,000
Sub-Total	\$11,381,000
Transfer of Building to Stand-Alone Fund	(14,997,000)
One-Time Expenditures in FY 2020	(2,847,000)
Insourcing of Flamingo Park Tennis Center	1,146,000
Transfer of OIG to Stand-Alone Fund	(704,000)
Total	(\$6,021,000)

These preliminary expenditure figures do not assume additional savings from potential efficiencies and/or reductions to be considered for FY 2021.

PROPOSED ADJUSTMENTS TO THE FY 2021 GENERAL FUND BUDGET

The FY 2021 General Fund budget based on the 2020 Certified Taxable Values provided by the Miami-Dade County Property Appraiser's Office as of July 1, 2020 reflects a revenue decrease of \$8.7 million, or 2.5 percent, and an expenditure decrease of \$6.0 million, or 1.7 percent, resulting in a preliminary net General Fund gap of \$2.7 million without the impact of COVID-19 on revenues.

	FY 2020 Adopted	FY 2021 Preliminary	\$ Variance	% Variance
Revenues	350,143,000	341,397,000	(\$8,746,000)	(2.5%)
Expenditures	350,143,000	344,122,000	(\$6,021,000)	(1.7%)
Surplus/(Gap)	\$ 0	(\$2,725,000)		

Approach to Balance

As a result of the preliminary net General Fund gap of \$2.7 million for FY 2021 without the impact of COVID-19 on revenues, 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 \$2.0 million which may be allocated at the discretion of the FERC.

FY 2021 Balancing Strategies	\$
Preliminary Surplus/(Gap) based on July 1st Values	(\$2,725,000)
Revenue Refinements	941,000
Expenditure Refinements	841,000
Recommended Reductions/Efficiencies	2,984,000
Recommended Expenditure Enhancements	(41,000)
Net	\$2,000,000

Revenue Refinements – (\$941,000)

The Administration has further refined the FY 2021 revenue projections based on FY 2020 second quarter projected revenues and additional revenue opportunities identified. These adjustments have resulted in an increase of approximately \$941,000 in revenues projected for FY 2021, which are attributed to the following:

FY 2021 Revenue Refinements	\$
Internal Cost Allocation - Space Occupied by Enterprise Departments in City Hall Campus (Rent based on 50% of Market Rate); net of General Fund assuming Marina Settlement payments from Parking - \$337,000	691,000
Golf Course Fees adjusted by Consumer Price Index (CPI)	178,000
Planning Training and Technology Reimbursement for Allowable Planning Department Expenditures	72,000
Total	\$941,000

Expenditure Refinements – (\$841,000)

Based on FY 2020 second quarter projected expenditures, the Administration has identified additional savings in the FY 2021 General Fund budget totaling \$841,000 from the following:

FY 2021 Expenditure Refinements	\$
Health Insurance Adjustment from 10% to 5% for Non-Police/Fire and 10% to 8% for Police/Fire	952,000
Excess Pension Plan	315,000
Marina Properties Settlements Transferred from Parking Fund	(354,000)
Other Miscellaneous Expenditure Adjustments	(72,000)
Total	\$841,000

Recommended Expenditure Reductions/Efficiencies – Attachment A (\$2,984,000)

In addition to the expenditure refinements above, Attachment A reflects a listing of all recommended FY 2021 service reductions and efficiencies with detailed descriptions, which are summarized below:

FY 2021 Reductions/Efficiencies	\$ Year 1	Full-Time Positions
Efficiency in Renegotiated Contract Savings from Grounds Maintenance, Parks Landscape, Body Camera, etc.	1,361,000	0.00
Efficiency in Proposed Police Staffing Plan Changes	795,000	0.00
Efficiency in Elimination of Fleet Management Director and Conversion of 2 Admin Positions into 1 Admin Position (Int Svcs.)	198,000*	0.00
Efficiency in Elimination of Assistant Environment & Sustainability Director Position	136,000	1.00
Efficiency in Civilianization of (2) Sworn Positions to Civilian Positions	120,000	0.00
Efficiency in Elimination of Emergency Management Specialist Position	101,000	1.00
Efficiency in Elimination of Financial Analyst II Position	91,000	1.00
Efficiency in Elimination of Legislative Manager Position	86,000	1.00
Efficiency in Elimination of Program Supervisor Position	57,000	1.00
Efficiency in Elimination of Safety Officer Position (Int Svcs.)	39,000*	0.00
Total	\$2,984,000	5.00

** Estimated savings from Internal Service Fund Reduction*

Recommended Expenditure Enhancements – Attachment B (\$41,000)

Attachment B reflects a listing of all recommended FY 2021 expenditure enhancements with detailed descriptions, which are summarized below:

FY 2021 Expenditure Enhancements	\$ Year 1
FY 2021 Living Wage (from \$15.00 to \$15.33 per hour)	(41,000)
Total	(\$41,000)

COVID-19 IMPACTED REVENUES

In response to the projected FY 2021 General Fund revenue losses due to COVID-19 of approximately \$7.9 million, Attachment A reflects a combination of “one-time” efficiencies and reductions recommended by the Administration to address the projected impact of COVID-19 on the City’s revenues for FY 2021, along with detailed descriptions, which are summarized below.

FY 2021 Balancing Strategies	\$
COVID-19 Related Revenues	(\$7,850,000)
Revenue Refinements	(1,580,000)
Recommended Reductions/Efficiencies	9,430,000
Net	\$0

Revenue Refinements – (\$1,580,000)

The Administration has further refined the FY 2021 revenue projections based on FY 2020 second quarter projected revenues. These adjustments have resulted in a decrease of approximately \$1,580,000 in revenues projected for FY 2021, which are attributed to the following:

FY 2021 Revenue Refinements	\$
Increase in Transfer from City Center RDA per 4 th Amendment for COVID-19 Expenditures	3,295,000
Decrease in the 2% Resort Tax Fund's FY 2021 Contribution to the General Fund for Tourism-related Expenditures	(14,875,000)
Use of General Fund Reserves	10,000,000
Total	(\$1,580,000)

Recommended Expenditure Reductions/Efficiencies – Attachment A (\$9,430,000)

Attachment A reflects a listing of all recommended “one-time” FY 2021 service reductions and efficiencies to offset the projected impact of COVID-19 on the City’s revenues, including detailed descriptions, which are summarized below:

FY 2021 Reductions/Efficiencies	\$ Year 1	Full-Time Positions
Decrease in Lifeguard Hours and Boat Savings	329,000	0.00
Up to Five Furlough Days for All Groups based on Salary Tiers	1,757,000	0.00
Travel and Training Freeze	430,000	0.00
Non-Essential Tuition Reimbursement Freeze	115,000	0.00
Hiring Freeze	2,799,000	0.00
Freeze on Non-Essential Expenditures	4,000,000	0.00
Total	\$9,430,000	0.00

USE OF RESERVES

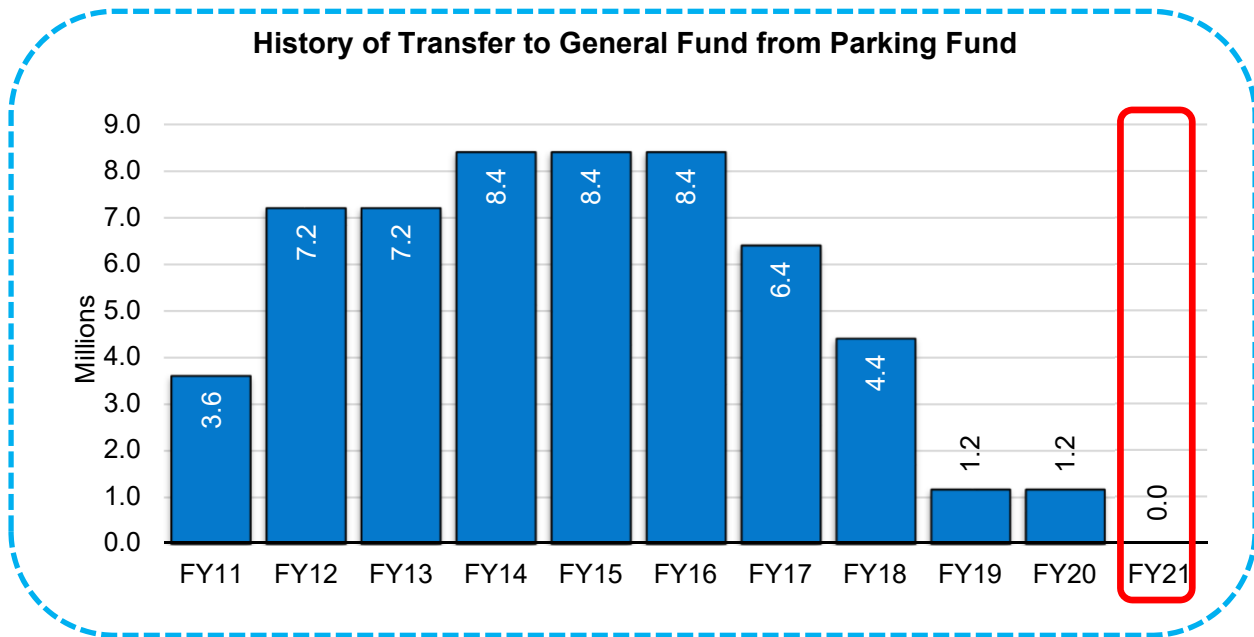
As noted at the June 16, 2020 FERC meeting, the General Fund reserve balance is approximately \$80.6 million, or 23%, as of September 30, 2019. The projected use of this balance during FY 2020 (excluding COVID-19 related expenses that are considered reimbursable) is \$2.8 million. If the FERC and City Commission approve the General Fund's budget balancing recommendations outlined by the Administration for FY 2021, the remaining General Fund reserve balance would be \$67.8 million, or 19%. This balance would still exceed the minimum 17.0% General Fund unrestricted budgetary fund balance recommended by the Government Finance Officers Association (GFOA).

	General Fund Reserve Amount
Current Reserve (as of FYE 09/30/2019)	\$80.6 million
Use of Reserve in FY 2020	(\$2.8 million)
Proposed Use of Reserve in FY 2021	(\$10.0 million)
Remaining Reserve	\$67.8 million

PARKING & RDA FUND TRANSFERS TO THE GENERAL FUND

The Preliminary FY 2021 General Fund budget includes a \$3.3 million decrease in Pension Debt expenditures that resulted from the planned retirement of the City's Pension Debt in FY 2021. Additionally, FY 2022's budget will recognize an additional \$1.2 million savings as there will be no further Pension Debt expenditures, which represents \$4.5 million of recurring savings in the operating budget.

Is it important to note that the Administration's long-term objective has been to reduce the subsidy from the Parking Enterprise Fund to the General Fund in order to reduce the burden on the Parking Enterprise Fund. Consistent with this strategy, and due to the significant reduction in revenues being experienced by the Parking Fund resulting from COVID-19, the Administration recommends the elimination of this \$1.2 million transfer to the General Fund in FY 2021.



Similarly, the Administration's objective has been to reduce the General Fund's reliance on the transfer from the City Center Redevelopment Agency (RDA) Fund, which 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 one-time source of funding from the RDA, which ends in FY 2024.

Recommended Use of RDA Funds

Expenditure	FY 2021	FY 2022	FY 2023	FY 2024
Transfer to General Fund for COVID-19 impact	3,295,000	0	0	0
Transfer to General Fund to replace parking transfer until FY 2022	1,119,000	0	0	0
Fleet Replacement & Capital Needs	1,152,000	5,775,000	5,994,000	0
Total	\$ 5,566,000	\$ 5,775,000	\$ 5,994,000	\$0

To eliminate the City's reliance on Parking Funds and RDA one-time funds, the Administration recommends offsetting the savings from the Pension Debt against the reduction in transfer from the RDA, which would release the RDA funds to be utilized for one-time purposes in the budget through FY 2023.

2% RESORT TAX FUND

At the June 16, 2020 FERC 1st Budget Briefing, the Mayor and City Commission were also briefed regarding the Preliminary FY 2021 Resort Tax budget.

	FY 2020 Adopted	FY 2021 Preliminary	\$ Variance	% Variance
Revenues	64,177,000	46,102,000	(18,075,000)	(39.2%)
Expenditures	64,177,000	57,862,000	(6,315,000)	(10.9%)
Surplus/(Gap)	\$0	(\$11,760,000)		

Preliminary 2% Resort Tax revenues are estimated to decrease \$18.1 million, or 39.2 percent, from the Adopted FY 2020 budget primarily due to while preliminary 2% Resort Tax expenditures are estimated to decrease \$6.3 million, or 10.9 percent, from the Adopted FY 2020 budget due to the following:

Items Included in Preliminary FY 2021 Revenues	\$
Decrease in 2% Collections based on collections as of May 2020	(16,253,000)
Increase in Projected Interest Income	105,000
Decrease in the use of Fund Balance for "One-Time" Expenditures Budgeted in FY 2020	(1,942,000)
Increase in Other Miscellaneous Resort Tax Revenues	15,000
Total	(\$18,075,000)

Items Included in Preliminary FY 2021 Expenditures	\$
Decrease in Transfer to General Fund (\$3.7 million of \$36.7 million recommended)	(3,676,000)
Decrease in Operating Expenditures based on "One-Time" Enhancements Adopted in FY 2020	(1,942,000)
Decrease in Miami Beach VCA Contribution based on Legislated Formula and Projected Decrease in FY 2021 2% Collections	(778,000)
Decrease in Holiday Lighting Expenditures	(175,000)
Internal Service Charges	97,000
Increase in Other 2% Resort Tax Expenditures	366,000
Decrease in Resort Tax Contingency	(207,000)
Total	(\$6,315,000)

Based on actual collections as of May 2020, the projected 2% Resort Tax gap for FY 2021 is approximately \$11.8 million. This assumes that, as time elapses, 2% Resort Tax revenues will gradually rebound from the impact of COVID-19 during FY 2020 and continue into FY 2021. For FY 2021, the assumptions utilized by the Administration project that the City will collect, on average, approximately 75% of the revenues that would have been collected without the impact of COVID-19 based on prior year trends.

Approach to Balance

As a result of the preliminary \$11.8 million gap projected for FY 2021, the Administration is recommending the following, which if approved by the Committee, would result in a balanced Resort Tax budget.

FY 2021 Balancing Strategies	\$
Preliminary Surplus/(Gap)	(\$11,760,000)
Expenditure Refinements	8,963,000
Recommended Reductions/Efficiencies	3,697,000
Recommended "One-Time" Expenditure Enhancements	(900,000)
Net	\$ 0

Other Expenditure Refinements – (\$8,963,000)

The Administration is recommending the following expenditure refinements for FY 2021 in the Resort Tax Fund:

FY 2021 Expenditure Refinements	\$
Reduction in Resort Tax Contribution to General Fund for Tourism-related Expenditures	14,875,000
Transfer to 1% Convention Center Debt Service for Convention Center Bonds	(1,686,000)
Health Insurance Adjustment from 10% to 5% for Non-Police/Fire and 10% to 8% for Police/Fire	15,000
Transfer to Sanitation Fund for Services Provided in Tourism Areas based on Updated Cost Allocation Study	(483,000)
Additional "One-Time" Transfer to Sanitation Fund for Prior Year Services Provided in Tourism Areas	(2,758,000)
Resort Tax Contingency	(1,000,000)
Total	\$8,963,000

Recommended Expenditure Reductions/Efficiencies – Attachment A (\$3,697,000)

In addition to the expenditure refinements above, Attachment A reflects a listing of all recommended FY 2021 service reductions and efficiencies with detailed descriptions for the 2% Resort Tax Fund, which are summarized below:

FY 2021 Reductions/Efficiencies	\$ Year 1	Full-Time Positions
Greater Miami Convention and Visitors Bureau (GMCVB) Contract Savings from One-Year Agreement	2,600,000	0.00
Miami Beach VCA 50% Reduction based on Negotiated Agreement	1,075,000	0.00
Up to Five Furlough Days for All Groups based on Salary Tiers	22,000	0.00
Total	\$3,697,000	0.00

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

In addition, the following Resort Tax item, which is considered a “one-time” enhancement, is being recommended for funding in FY 2021:

- Police Services-National College Football Championship: \$900,000
This enhancement request is to fund necessary overtime, rentals, security guards, and equipment to provide comprehensive police services and resources for the 2021 National College Football Championship. The request amount is based on experience with past Super Bowls, Memorial Day, Spring Break and other high-impact events.

PARKING FUND

As a result of the significant decline in Parking revenues due to COVID-19 restrictions, the Preliminary FY 2021 Parking Fund budget reflects a gap of \$13.8 million. This gap assumes that there will be no transfer to the General Fund and no transfer to the Transportation Fund from the Parking Fund.

Approach to Balance

The items outlined below are the Administration’s recommended adjustments, which are necessary to respond to the change in parking operations, and if approved by the FERC and City Commission, would result in a balanced budget.

FY 2021 Balancing Strategies	\$
Projected Surplus/(Gap)	(\$13,853,000)
Expenditure Refinements	7,955,000
Recommended Reductions/Efficiencies	5,952,000
Recommended Expenditure Enhancements	(54,000)
Net	\$ 0

Expenditure Refinements – (\$7,955,000)

Based on FY 2020 second quarter projected expenditures, the Administration has identified additional savings in the FY 2021 Parking Fund budget totaling \$7,955,000 from the following:

FY 2021 Expenditure Refinements	\$
Decrease in FY 2021 Set-aside for Renewal and Replacement (Temporary)	4,863,000
Savings from Refinancing of 2010 Parking Bonds	2,594,000
Other Miscellaneous Expenditure Adjustments	498,000
Total	\$7,955,000

Recommended Expenditure Reductions/Efficiencies – Attachment A (\$5,952,000)

Attachment A reflects a listing of all recommended “one-time” FY 2021 service reductions and efficiencies to offset the projected impact of COVID-19 on the City’s revenues with detailed descriptions, which are summarized below:

FY 2021 Reductions/Efficiencies	\$ Year 1	Full-Time Positions	Part-Time Positions
Removal of All On-street (curbside) and Off-street (lots) Parking Pay Stations	\$1,691,000	4.00	0.00
Reduce Parking Enforcement Operations (33 Full-Time FTE Converted to Part-Time & 26 Part-Time FTE Eliminated)	1,166,000	33.00	-7.00
Eliminate/Transfer Costs for Other Departments Funded by Parking	509,000	6.00	0.00
Eliminate/Reduce Parking Operations Services and Activities	1,163,000	0.00	0.00
Efficiency in Renegotiated Contract Savings from Grounds Maintenance	277,000	0.00	0.00
Reduce Sanitation Level of Services and Outsource Functions	556,000	0.00	0.00
Eliminate Parking Positions due to Reduction in Services and Activities	500,000	6.00	0.00
Up to Five Furlough Days for All Groups based on Salary Tiers	90,000	0.00	0.00
Total	\$5,952,000	49.00	-7.00

Recommended Expenditure Enhancements – Attachment B (\$54,000)

Attachment B reflects a listing of all recommended FY 2021 expenditure enhancements with detailed descriptions, which are summarized below:

FY 2021 Expenditure Enhancements	\$ Year 1
FY 2021 Living Wage (from \$15.00 to \$15.33 per hour)	(54,000)
Total	(\$54,000)

TRANSPORTATION FUND

As a result of the significant decline in Resort Tax and Parking revenues due to COVID-19 restrictions, the Preliminary FY 2021 Transportation Fund budget reflects a gap of \$4.7 million, which includes a \$2.37 million reduction in revenues from the 1% Resort Tax Fund and a \$981,000 decrease in transfer from the Parking Fund (as noted above in the Parking balancing plan).

Approach to Balance

The items outlined below are the Administration's recommended adjustments, which are necessary to respond to the decline in Resort Tax and Parking revenues, and if approved by the FERC and City Commission, would result in a balanced budget.

Trolley Service

The balancing plan assumes that a modified trolley service will be reinstated starting on August 1, 2020 with an adjusted level of service as outlined in the table below. It is important to note that trolley vehicle assignment, service frequency, and service hours will be subject to change based on demand and the service levels could be increased incrementally, depending on budget availability. It also includes the operation of the Middle Beach Freebee at the service level approved by the City Commission, as well as the costs for cleaning and sanitizing the vehicles. The Administration is currently pursuing dedicated Freebee service for seniors.

	Current Level of Service	Proposed Level of Service
Hours	18 (8 am to 12 am)	12-14 (8 am to 9 pm)
Vehicles	25	15
Routes	All	Eliminate 11 th Street Loop; Modify Belle Isle Loop
Frequency	20 minutes	30 minutes

FY 2021 Balancing Strategies	\$
Projected Surplus/(Gap)	(\$4,711,000)
Revenue Refinements	450,000
Expenditure Refinements	(1,450,000)
Recommended Reductions/Efficiencies	5,738,000
Recommended Expenditure Enhancements	(27,000)
Net	\$ 0

FY 2021 Revenue Refinements	\$
Use of Prior Year Fund Balance for One-Time Studies	450,000
Total	\$450,000

FY 2021 Expenditure Refinements	\$
Transfers to Reserves	(1,488,000)
Other Miscellaneous Expenditure Adjustments	38,000
Total	(\$1,450,000)

FY 2021 Reductions/Efficiencies	\$ Year 1	Full-Time Positions	Part-Time Positions
Reduction in Citywide Trolley Operations Expenditures	5,526,000	0.00	0.00
Efficiency in Elimination of Office Associate IV Position	73,000	1.00	0.00
Efficiency in Elimination of Transportation Manager Position	147,000	1.00	0.00
Efficiency in Conversion of Transportation Analyst Position to Senior Transportation Position	(27,000)	0.00	0.00
Up to Five Furlough Days based on Salary Tiers	19,000	0.00	0.00
Total	\$5,738,000	2.00	0.00

FY 2021 Expenditure Enhancements	\$ Year 1
FY 2021 Living Wage (from \$15.00 to \$15.33 per hour)	(27,000)
Total	(\$27,000)

FLEET MANAGEMENT FUND

The proposed FY 2021 Fleet Management Budget includes the consolidation of the Department to become a new division within the Property Management Department. This reorganization results in the elimination of the Director position (when vacated) and an administrative position, for a combined saving of \$258,000. The budget also incorporates key strategies to improve the City's fleet including the rightsizing of vehicles and prioritizing the conversion to hybrid and electric vehicles.

In the FY 2021 budget, 10 vehicles/equipment have been identified that due to low utilization will not be replaced which saves \$600,000. This is in addition to numerous vehicles that have already been reduced over the last several years. Fleet has a goal is to convert 561 police patrol, mid-size, and compact sedans by 2025 to hybrids or electric vehicles, which have 40% lower operating costs compared to gasoline-only vehicles. This would save \$500,000 in operating costs and emission reductions of 3.1 million lbs./yr.

To date, 26 hybrids/electric vehicles are currently in service. An additional 114 are planned to be added during FY 2020 and another 159 in FY 2021, for a total of 299. This represents 53% of the City's goal and will contribute to \$258,000 in operating cost savings and emission reductions of 1.6 million pounds a year.

The next phase will likely include converting approximately 100 half-ton truck vehicles in the City's fleet as new hybrid trucks become available in the marketplace.

STORMWATER FUND

The proposed FY 2021 Stormwater budget includes two one-time enhancements. The first adds \$418,000 to increase funding for rental of temporary pumps and accessories to fulfill the City Commission's request to increase deployment of portable temporary pumps during King Tides, Hurricane Season, and rain events. The amount requested is for the deployment of 14 temporary pumps for six months as a one-time request for FY 2021. The need for temporary pumps will be reevaluated as part of the FY 2022 budget process. The second enhancement request for \$400,000 is to increase funding to address the backlog of maintenance for 48 existing injection wells to improve drainage and decrease flooding throughout the City.

No rate increases are anticipated for FY 2021, but the timing and amount of a potential stormwater rate increase will be determined following the pending sequencing and scope of capital projects.

Recommended Expenditure Enhancements – Attachment B (\$818,000)

Attachment B reflects a listing of all recommended FY 2021 expenditure enhancements with

detailed descriptions, which are summarized below:

FY 2021 Expenditure Enhancements	\$ Year 1
Temporary Pumps (One-Time)	(418,000)
Stormwater System Maintenance Backlog (One-Time)	(400,000)
Total	(\$818,000)

WATER & SEWER FUNDS

The Preliminary FY 2021 Water Budget includes the pass-through rate from Miami Dade County increase from \$1.6904 per 1,000 gallons to \$1.7947 per 1,000 gallons. This represents a 6.2% increase. Similarly, the Preliminary FY 2021 Sewer Budget includes the pass-through rate from Miami Dade County increase from \$3.1954 per 1,000 gallons to \$3.2971 per 1,000 gallons. This represents a 3.2% increase.

No other rate increases are anticipated for FY 2021, but the timing and amount of a potential stormwater rate increase will be determined following the pending sequencing and scope of capital projects.

Recommended Expenditure Enhancements – Attachment B (\$801,000)

Attachment B reflects a listing of all recommended FY 2021 expenditure enhancements with detailed descriptions, which are summarized below:

FY 2021 Expenditure Enhancements	\$ Year 1
Water Fuel Tank Replacement (One-Time)	(51,000)
Sewer Pump Emergency Maintenance	(200,000)
Sewer System Evaluation Survey (per Consent Decree)	(400,000)
Fire Hydrant Density Evaluation (One-Time)	(150,000)
Total	(\$801,000)

SANITATION FUND

During the development of the FY 2020 budget, the Administration conducted a Zero-Based budget exercise for the Sanitation Fund, which has been structurally imbalanced for a few years. The City Commission adopted several recommendations that helped close a portion of the imbalance, but two are still pending. The first is the implementation of the Alternate Side Parking (ASP) program with an estimated savings of \$228,000. This program has been placed

on hold as a result of the COVID-19 pandemic due to neighborhood parking impacts. The second item is the pending implementation of the recycling fee pass-through from Miami-Dade County, which would generate \$231,000 of revenue.

A significant impact affecting the Sanitation Fund for the FY 2021 budget is the loss of \$1.5 million of revenue from the Parking Fund. As part of the Parking Fund's budget balancing plan, Parking will pay only the actual cost of the positions providing sanitation services and potentially transition to a private service provider at some point during the fiscal year. As a result, Sanitation has identified \$1.2 million of reductions that will help address the \$1.5 million impact from Parking.

FY 2021 Reductions/Efficiencies	\$ Year 1	Full-Time Positions
Eliminate 11 Full-Time Sanitation Positions	559,000	11.00
Efficiency in Reduction of Temporary Labor Used to Provide Sanitation Services	506,000	0.00
Efficiency in Reduction of Sanitation Operating Expenditures including the Big Belly contract	145,000	0.00
Up to Five Furlough Days for All Groups based on Salary Tiers	44,000	0.00
Total	\$1,254,000	11.00

It is important to note that these reductions may result in decreased response times to service requests in areas such as RDA, NBRC, and the MXE and lower cleanliness scores. To address the remainder of the Parking impact, additional efficiencies and cost saving opportunities will continue and be evaluated over the next 3 to 6 months.

CONVENTION CENTER FUND

As a result of the cancelation of events at the Convention Center and the creation of the Alternate Care Facility due to COVID-19, the Preliminary FY 2021 Convention Center Fund budget reflects a gap of \$5.6 million.

Approach to Balance

The items outlined below are the Administration's recommended adjustments, which are necessary to respond to the decline in Convention Center revenues, and if approved by the FERC and City Commission, would result in a balanced budget.

FY 2021 Balancing Strategies	\$
Projected Surplus/(Gap)	(\$5,584,000)
Revenue Refinements	4,789,000
Expenditure Refinements	826,000
Recommended Reductions/Efficiencies	2,000
Recommended Expenditure Enhancements	(33,000)
Net	\$0

FY 2021 Revenue Refinements	\$
Use of Prior Year Convention Center Fund Balance for Recurring Operations	4,789,000
Total	\$4,789,000

FY 2021 Expenditure Refinements	\$
Decrease in FY 2021 Set-aside for Renewal and Replacement	770,000
Other Miscellaneous Expenditure Adjustments	56,000
Total	\$826,000

FY 2021 Reductions/Efficiencies	\$ Year 1	Full-Time Positions	Part-Time Positions
Up to Five Furlough Days for All Groups based on Salary Tiers*	2,000	0.00	0.00
Total	\$2,000	0.00	0.00

**Projected Savings from Furlough Implementation based on City employees only*

FY 2021 Expenditure Enhancements	\$ Year 1
FY 2021 Living Wage (from \$15.00 to \$15.33 per hour)	(33,000)
Total	(\$33,000)

The chart below outlines the projected use of the Convention Center's Reserve Balance between FY 2020 and FY 2021. The projected use of \$4.0 million in FY 2021 assumes no events between now and September 30, 2020. It also assumes \$2.2 million in revenues from the United States Army Corps of Engineers for the Alternate Care Facility. As noted above, the Convention Center Balancing Plan includes the use of \$4.9 of Convention Center Fund reserves in order to maintain a balanced budget, resulting in a projected reserve balance of \$4.0 million by September 30, 2021.

	Convention Center Fund Reserve Amount
Current Reserve (as of FYE 09/30/2019)	\$12.9 million
Use of Reserve in FY 2020	(\$4.0 million)
Proposed Use of Reserve in FY 2021	(\$4.9 million)
Remaining Reserve	\$4.0 million

POSITION TRENDS

Based on the recommended enhancements, efficiencies, and reductions detailed above for FY 2021, the proposed full-time position count is 2.8 percent, or 60 positions, less in FY 2021 than in FY 2007 and 2.9 percent, or 62 positions, less in FY 2021 than in FY 2020, as reflected in the chart below. It is important to note that between FY 2017 and FY 2021, a total of 134 positions, or 6.2% have been eliminated from the budget (not including new positions).

Position Count FY 2007 - FY 2021



PROPOSED MILLAGE RATE UPDATE

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.

The Operating millage rate for FY 2021 is proposed to remain the same at 5.7288 mills while the Voted Debt Service millage rate for FY 2021 is proposed to be increased by 0.0294 mills from the Adopted FY 2020 Debt Service millage rate of 0.2933 to 0.3227 mills based on the 4.1 percent increase in the 2020 Certified Taxable Values over the 2019 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 2021 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.

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 2021 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 2021, the total required debt service payment is \$12.8 million, which requires the levy of a Voted Debt Service millage rate of 0.3227 mills. The FY 2021 Voted Debt Service millage rate is 0.0294 mills more than the Adopted FY 2020 Voted Debt Service millage rate of 0.2933. The required \$12.8 million payment for FY 2021 is comprised of remaining debt service required for the City's outstanding 2011 G.O. Bonds of \$2.3 million, plus \$10.5 million attributed to the new voter approved G.O. Bond Program.

	FY 2020 Adopted	FY 2021 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
Total General Operating Millage	5.7288	5.7288	0.0000
Debt Service	0.2933	0.3227	0.0294
Total Combined Millage	6.0221	6.0515	0.0294

As noted at June 16, 2020 FERC budget briefing, in order to recognize the savings from the deferral of the capital projects in FY 2020, only the difference between the amounts that were deferred and the amount was budgeted to be collected in FY 2020 (\$208,000 and \$29,000) will be transferred to the PAYGO and CRR Funds in FY 2021 respectively. The remainder will be transferred to the General Fund's reserve, consistent with the City's budget balancing plan that was presented at the April 17, 2017 FERC meeting. In addition to these amounts, the incremental increase in revenues that resulted from the increased July 1 property values (\$44,000 and \$14,000) will also be transferred the PAYGO and CRR funds respectively in FY 2021.

At the July 29, 2020 Commission meeting, the Mayor and City Commission will set the proposed millage rate for the FY 2021 budget process in accordance with the State of Florida's Truth-in-Millage (TRIM) requirements.

IMPACT OF PROPOSED MILLAGE LEVY IMPACT ON PROPERTY OWNERS

Based on property values as of July 1, 2020, the median value of homesteaded property in Miami Beach was \$212,696 while the average was \$545,281 (in accordance with the Save Our Homes Amendment to the Florida Constitution). The impact of the City's proposed FY 2021 Total Combined millage rate of 6.0515 mills on the median homesteaded property within the City would be an increase of \$110 while the impact to the average value homesteaded property within the City would be an increase of \$286 as reflected in the table below.

Homesteaded Properties				
	FY 2020		FY 2021	
	Median**	Average**	Median**	Average**
Preliminary Taxable Value**	\$ 195,522	\$500,407	\$ 212,696	\$ 545,281
City of Miami Beach				
Operating	\$ 1,120	\$ 2,867	\$ 1,218	\$ 3,124
Voted Debt	57	147	69	176
Total Miami Beach	\$ 1,177	\$ 3,014	\$ 1,287	\$ 3,300
\$ Change in Taxes				
Operating			\$ 98	\$ 257
Voted Debt			12	29
Total Miami Beach			\$ 110	\$ 286
**Source: Miami-Dade County Property Appraiser's – 2019 and 2020- Preliminary Average-Median-Homestead-Residential-Values files				

The Mayor and City Commission will set the proposed millage rate for the FY 2021 budget process in accordance with the State of Florida's Truth-in-Millage (TRIM) requirements at the July 29, 2020 Commission meeting.

By August 4, 2020 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, 2020. 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 29, 2020 at 5:01 p.m.

CONCLUSION

The FY 2021 operating budget will be finalized at the 3rd FERC Budget Briefing to be held on July 24, 2020. The Enterprise Funds will be addressed at this meeting along with other final budget decisions for the FY 2021 Proposed Budget.

At the July 29, 2020 Commission meeting, the Mayor and City Commission will set the proposed millage rate for the FY 2021 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 16, 2020 will be to adopt the tentative millage rates and budgets for FY 2021. The second public hearing scheduled on September 29, 2020 will be to adopt the final millage rates and budgets for FY 2021. Both public hearings will begin at 5:01 p.m.

Attachment A – FY 2021 “One-Time” Service Reductions and Efficiencies

Attachment A – FY 2021 “Recurring” Service Reductions and Efficiencies

Attachment B – FY 2021 “One-Time” Service Enhancements

Attachment B – FY 2021 “Recurring” Service Enhancements

JLM/JW/TOS