

COMMITTEE MEMORANDUM

TO: Members of the Finance & Economic Resiliency Committee

FROM: Jimmy L. Morales, City Manager

DATE: July 24, 2020

SUBJECT: FINALIZE FISCAL YEAR 2021 BUDGET

The Fiscal Year (FY) 2021 Proposed Capital and Operating Budgets were reviewed by the Finance and Economic Resiliency Committee ("FERC") at the June 16, 2020 and July 17, 2020 FERC Budget Briefings. The following is a summary of changes made to the budgets subsequent to the July 17th Budget Briefing.

CAPITAL BUDGET UPDATE

Attachment C contains a comprehensive funding summary of the FY 2021-2025 Proposed Capital Improvement Program ("CIP").

North Beach Quality of Life Fund

At the July 17th FERC meeting, the Committee directed the Administration to fully fund the North Beach Oceanside Park project, which has a funding gap of \$2,000,000, by deferring four existing projects that are funded by North Beach Quality of Life.

Based on direction received from the Committee, the changes below were made to the FY 2021 Proposed Capital Budget:

- **North Beach Oceanside Park (#57)** – Added funding in the amount of \$2,000,000.
- **Street Lighting Improvements (#56-2)** – Defunded project by \$629,000 and re-programmed in FY 2022
- **North Beach Streetscape Pilot (#57-2)** – Defunded project by \$330,000 and re-programmed in FY 2022
- **Normandy Isle Park Pool Renovation (#61-2)** – Defunded project by \$358,000 and re-programmed in FY 2022
- **Entrance Signs to North Beach (#63-2)** – Defunded project by \$691,000 and re-programmed in FY 2022

The understanding is that if the bids for the North Beach Oceanside Park project are lower than budget, the excess funding in this project will be re-appropriated to one or more of the projects above during FY 2021. Funding for all four projects will be prioritized to be discussed during the FY 2022 budget process.

OPERATING BUDGET UPDATE

General Fund Update

At the July 17, 2020 FERC meeting, the Administration presented a combination of revenue and expenditure refinements, expenditure reductions and efficiencies, and expenditure enhancements to address the preliminary net General Fund gap of \$2.7 million, without the impact of COVID-19, for FY 2021.

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

Based on direction received from the FERC on July 17, 2020 and additional information that became available subsequent to the meeting, the changes below have been incorporated into the Proposed General Fund Operating Budget, which, if approved, would result in a balanced budget for FY 2021.

FY 2021 Balancing Strategies	\$
Preliminary Surplus/(Gap) as of July 17, 2020 FERC Meeting	\$2,000,000
Reimbursement from Miami-Dade County Public Schools for Police Officers in Schools based on Addendum to Current Agreement for 2021 School Year	281,000
Additional Funding for Cat Trap, Vaccinate, Neuter & Release Program	(10,000)
Adjustment for FY 2021 Living Wage	22,000
Additional FY 2021 General Fund Operating Contingency	(293,000)
Reduction in use of General Fund Reserve	(2,000,000)
Net	\$0

- Reimbursement from Miami-Dade County Public Schools
Subsequent to the FERC meeting on July 17, 2020, the Administration received confirmation that the Miami Dade County Public School Board will be signing an addendum to the agreement with the City for the Miami Beach Police Department School Based Law Enforcement Program, which includes a \$281,348 reimbursement to the City for the 2019-20 and 2020-21 school years respectively. This infusion increases the General Fund FY 2020 and FY 2021 revenues.
- Funding for Cat Trap, Vaccinate, Neuter & Release Program
At its July 17, 2020 meeting, the FERC approved the allocation of additional funding of \$10,000 to continue the Trap, Neuter, Vaccinate, and Release (TVNR) Program for FY 2021.
- Living Wage Adjustment
At its July 17, 2020 meeting, the FERC approved an increase in the total minimum living wage rate from \$15.00 per hour including health benefits to \$15.15 per hour including health benefits, effective January 1, 2021, based on the City's 1% Cost of Living Adjustment (COLA) included in the FY 2021 budget. This increase is comprised of a 1% increase in the living wage rate and 1% increase in the health benefits rate. This resulted in a reduction of \$22,000 in the FY 2021 General Fund budget, which previously included the highest possible rate increase, based on Consumer Price Index.
- Early Childhood Funding
At its July 17, 2020 meeting, the FERC recommended a commitment to fund \$250,000 for a pilot program for early childcare pre-kindergarten stipend for the 2021-22 school year, which would require funding to be committed in FY 2021, but appropriated as part of the City's FY 2022 budget. This item will be heard at the City Commission meeting on July 29th.
- General Fund Operating Contingency
The direction given at the July 17, 2020 FERC meeting was to reduce the use of General Fund Reserves to balance the FY 2021 budget by \$2 million. Based on this directive and the adjustments to the budget noted above, the remaining \$293,000 is proposed to be set aside as a contingency for unforeseen expenditure needs in FY 2021 in addition to the \$1 million normally budgeted for contingency.

Other Funds Update

- Cultural Arts Council (CAC) Fund
At the July 17, 2020 FERC meeting, the Administration presented an item supporting the Cultural Arts Council's (CAC) recommendation to earmark an additional \$1.0 million from CAC reserves in the FY 2021 budget to provide additional relief funding for Miami Beach Cultural Organizations adversely impacted by COVID-19 that could assist cultural contributors to adapt their programs, spaces, and operating models as a result of long-term COVID-19 recovery. Based on direction received from the FERC on July 17th, \$500,000 is recommended for appropriation at the commencement of FY 2021 with the remaining \$500,000 balance to be appropriated mid-year of FY 2021.

ADDITIONAL INFORMATION

During the budget briefing at the Finance & Economic Resiliency Committee meeting on July 17th additional information was requested regarding the recommended reductions in the Parking Fund, potential of charging a fare for the trolley program, and the use of Convention Center Fund reserves.

Recommended Reductions in the Parking Fund

At the Finance & Economic Resiliency Committee meeting on July 17th, the Committee was briefed on the recommended budget reductions necessary to right-size the Parking Department. Although recognizing the financial need for the recommended change, the Committee expressed concern regarding the impact to a significant number of employees, especially in parking enforcement. As a result, the Committee requested that the Administration review the recommendation to determine if there is any way to help mitigate the impact to the affected employees, especially given the economic impacts from COVID-19.

Following the meeting, the Administration engaged the Human Resources Department to determine the potential to place the full-time positions that were either proposed for elimination or to be converted to part-time positions. The analysis showed that due to the high number of currently vacant positions from the hiring freeze enacted in March, all full-time employees impacted by the proposed reductions including those in the Parking Department, could potentially be offered a full-time position with the City, based on their individual skills and abilities and willingness to accept different work in another department. The full-time parking staff that do not choose to accept alternative work would have an opportunity to stay in Parking, but on a part-time basis.

In the Parking Department, this means that all 8 filled full-time positions proposed for elimination and all 32 filled full-time positions proposed to be converted to part-time will have an opportunity to continue their service to the City by accepting full-time positions in other departments.

In addition, by avoiding the conversion of full-time positions to part-time, many of the current 16 filled part-time positions would no longer be proposed for elimination as they could serve as part of the in-house component of the new 50% in-house and 50% contract model for parking enforcement.

ALL PARKING	Full-Time		Part-Time	
	Filled	Vacant	Filled	Vacant
Eliminated positions	8	6	16	10
Convert from FT to PT	32	1	-	-
Enforcement only	Full-Time		Part-Time	
	Filled	Vacant	Filled	Vacant
Eliminated positions	-	-	16	10
Convert from FT to PT	32	1	-	-
Non-Enforcement only	Full-Time		Part-Time	
	Filled	Vacant	Filled	Vacant
Eliminated positions	8	6	-	-

Potential of Charging a Fare for the Trolley Program

At the Finance & Economic Resiliency Committee meeting on July 17th, the Committee was briefed on changes to the level of service to the trolley program in FY 2021 given the impact of COVID-19. The Committee asked staff to evaluate potentially charging a fare and/or charging only non-residents.

Charging a Fare

Per current Interlocal Agreements between cities (including Miami Beach) and Miami-Dade County for the operation of municipal circulator services, if a city charges a circulator fare, the fare shall be in accordance with the established Miami-Dade County fare policy for a circulator (\$0.25). Furthermore, a city which charges a fare for its circulator service is required to implement a fare collection system that is fully-compatible with the County's automated fare collection system.

Per the Interlocal Agreement, if a fare structure is enacted, the City shall accept County's Easy Cards, Easy Tickets, passes (including Golden Passports and Patriot Passports), transfers, or identification entitling a passenger to ride a circulator without paying any additional fare.

More importantly, given the maximum fare of \$0.25 that the City could legally charge under the current terms of the Interlocal Agreement with Miami-Dade County, coupled with the high capital cost of acquiring and installing an County-compatible automated fare collection system and the recurring operating and maintenance cost of the fare collection system (including monthly cost-reconciliation of all trips with the County), staff believes that there would be no financial benefit to charging a fare in terms of off-setting the annual operating and maintenance cost of the City's trolley service.

Currently, 29 out of 34 cities in Miami-Dade County provide municipal transit services. With the exception of two cities (Hialeah and Cutler Bay), all other cities do not charge a fare. Cutler Bay circulator service is operated by the County and charges a \$0.25 fare (similar to our old South Beach Local). Based on our conversations with City of Hialeah, it charges a fare of \$2.25 given the regional scope of its transit service which replaced MDT bus service to a large extent.

Charging a Fare for Non-Residents Only

From a legal perspective, the County's Attorney's Office (CAO) has previously opined that in order to consider charging a fare for trolley service, in addition to a required amendment to the Interlocal Agreements, usage of Half-Cent Transit Surtax funding (i.e. People's Transportation Plan (PTP) funds) for the trolley service would require equitable treatment of all County residents. Furthermore, the County Attorney's Office advised of potential Title VI concerns with respect to charging a fare for public transit service for non-residents only. City staff is currently verifying the CAO's current position on this matter.

Based on our recently conducted statistically valid trolley passenger survey, only about 19% of trolley riders are visitors, thus, charging non-residents only would not be feasible or have a financial benefit for the City given \$0.25 would be the most we could charge non-residents.

Trolley service operational performance and reliability will be affected due to the time it would require drivers to verify passengers' proof of residency given high number of trolley riders and trolley stops. Any malfunctions of the fare collection system would require replacement of the

trolley vehicle which affects transit service reliability and quality of service. Customer service would be adversely affected as drivers would have to check each passenger's proof of residency which could greatly increase the chances of customer/driver conflict and result in a decline in the perceived level of customer service.

Use of Convention Center Fund Reserves

At the Finance & Economic Resiliency Committee meeting on July 17th, the Committee was briefed on the amount of reserves projected to be used during FY 2020 and FY 2021 in the Convention Center Fund. The analysis showed that although the reserve at the end of FY 2019 totaled \$12.9 million, that \$4.0 million is projected to be used during FY 2020 and \$4.8 million during FY 2021 to balance the budget due to the significant impact of COVID-19 to events in the Convention Center.

The Committee expressed concern given the slow pace of recovery from COVID-19 that contingency planning should take place given that there is a reasonable likelihood that additional currently scheduled events may be canceled or rescheduled.

Following the meeting, staff met with Spectra, the operator of the Convention Center, and determined that 17 events with a net revenue of \$1.7 million would be at risk if events were not able to be held during the first quarter (October through December 2020). Of the \$1.7 million, half of the amount would be attributable to Art Basel (room rental is at \$750,000). Spectra confirmed that they have a contingency plan to cut expenses that could offset the potential loss of \$1.7 million of net revenue. The expense reductions include \$1.1 million in personnel cost savings (frozen positions, furloughed positions, no merit/COLA) and 600,000 in operational savings (reduction in capital expenses and various other areas).

For the second quarter (January through March), Spectra has identified 24 events with a net revenue of \$2.2 million that would be at risk if they have to be canceled or rescheduled. The capacity for Spectra to make additional reductions would be reduced in the second quarter to approximately \$700,000 given the expense reductions that would be needed to offset the potential loss in the first quarter. As a result, it is likely that approximately \$1.5 million of revenue is at risk would have to come from the use of additional Convention Center reserves over and above the \$4.8 million assumed in the FY 2021 Budget.

CONCLUSION

The Proposed FY 2021 Capital and Operating Budgets have been updated based on feedback from the FERC at its July 17th meeting and additional information that became available subsequent to the meeting. The Tentative FY 2021 Budgets will be adopted at the first Budget Hearing on September 16, 2020. The Final FY 2021 Budgets will be adopted at the second Budget Hearing on September 29, 2020.

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
Attachment C – Proposed FY 2021 Capital Budget and FY 2021-2025 Capital Improvement
Program Prioritization by Funding Source