



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: Alina T. Hudak, City Manager

DATE: July 16, 2021

SUBJECT: Fiscal Year 2022 Preliminary Operating Budget

The preliminary budget represents the cost of providing the same level of services as in the prior year and serves as the baseline of funding for the budget development process. The 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

As a result of the COVID-19 pandemic, the City continues to experience adverse impacts to its Resort Tax, Convention Center, General Fund, and to some extent, Parking revenues, as the City is highly dependent on the tourism and hospitality industries. The Preliminary FY 2022 budget includes assumptions based on conservative estimates of improving economic conditions, as a result of a gradual return to normal conditions with the expansion of the country's vaccination program.

At the June 4, 2021 Budget Retreat, the Administration presented an update on the Preliminary FY 2022 Operating Budget, based on the June 1, 2021 Estimated Taxable Values from the Miami-Dade County Property Appraiser. The chart below summarizes the total projected gap between the Preliminary FY 2022 General Fund and Resort Tax Fund budgets, as presented at the FY 2022 Commission Budget Retreat on June 4, 2021.

	NON-COVID-19 (Permanent)	COVID-19 (Temporary)
General Fund	(\$6.2 million)	(\$8.0 million)
Resort Tax	0	(\$11.5 million)
Total	(\$6.2 million)	(\$19.5 million)

USE OF RESERVES

The second quarter projections for FY 2021, which were provided in a Letter to Commission (LTC# 268-2021) dated June 29, 2021, anticipate that an additional \$22.7 million will be needed from General Fund reserves to re-balance the FY 2021 budget and \$10.0 million are recommended to be added to the Resort Tax reserve. This represents a \$15.1 million improvement over the first quarter projections, primarily due to higher than anticipated Resort Tax collections.

Should these projections be realized at year-end, the General Fund reserve would total approximately \$78.1 million, or 22.3%, which exceeds the minimum 17.0% General Fund unrestricted budgetary fund balance recommended by the Government Finance Officers Association (GFOA) while the Resort Tax reserve would total approximately \$18.7 million.

	General Fund Reserve Amount	Resort Tax Reserve Amount
Pre COVID-19 Reserve as of 09/30/2019	\$80.6 million	\$15.2 million
Actual Use of Reserve in FY 2020	(\$0.3 million)	(\$5.0 million)
Adopted Use of Reserve in FY 2021	(\$9.6 million)	
Remaining Reserve	\$70.7 million	\$10.2 million
Projected FY 2021 Surplus/(Shortfall) <u>as of Q2</u>	(\$22.7 million)	\$10.0 million
CARES Act Funds to date	\$38.1 million	
Enhanced Police Initiatives (Staffing, Cameras, RTCC)	(\$7.5 million)	
No furlough days for FOP & IAFF; 1 less furlough day for all other employees	(\$1.2 million)	
FEMA Reimbursement to date for Hurricane Irma	\$2.6 million	
Arts & Cultural programming	(\$1.0 million)	
Ocean Terrace Settlement	\$1.6 million	
Sabrina Cohen Foundation Contribution	(\$2.5 million)	
Pedestrianization of Ocean Drive (pending)		Est. (\$1.5 million)
Projected Revised Reserve	\$78.1 million	\$18.7 million

AMERICAN RESCUE PLAN ACT FUNDS

The American Rescue Plan Act of 2021 (ARPA) was an emergency legislative package intended to “fund vaccinations, provide direct relief to families bearing the brunt of the COVID-19 crisis, and support struggling communities.” The bill provided a total of \$1.9 trillion to governments and other entities such as hospitals, public schools, and universities to promote recovery from the COVID-19 pandemic.

Signed into law by President Biden on March 11, 2021, the bill allocated \$350 billion in fiscal recovery funds to State, Local, Tribal, and Territorial (SLTT) Governments, of which \$45.6 billion was allocated for metropolitan cities, such as the City of Miami Beach, to:

- Respond to the COVID-19 public health emergency or its negative economic impacts

including (but not limited to): assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality

- Provide premium pay to eligible State workers, or grants to eligible employers with employees that perform essential work during the COVID-19 public health emergency
- Provide government services to compensate for the reduction in revenue in the community due to the pandemic (budget shortfalls)
- Make necessary investments in water, sewer, or broadband infrastructure

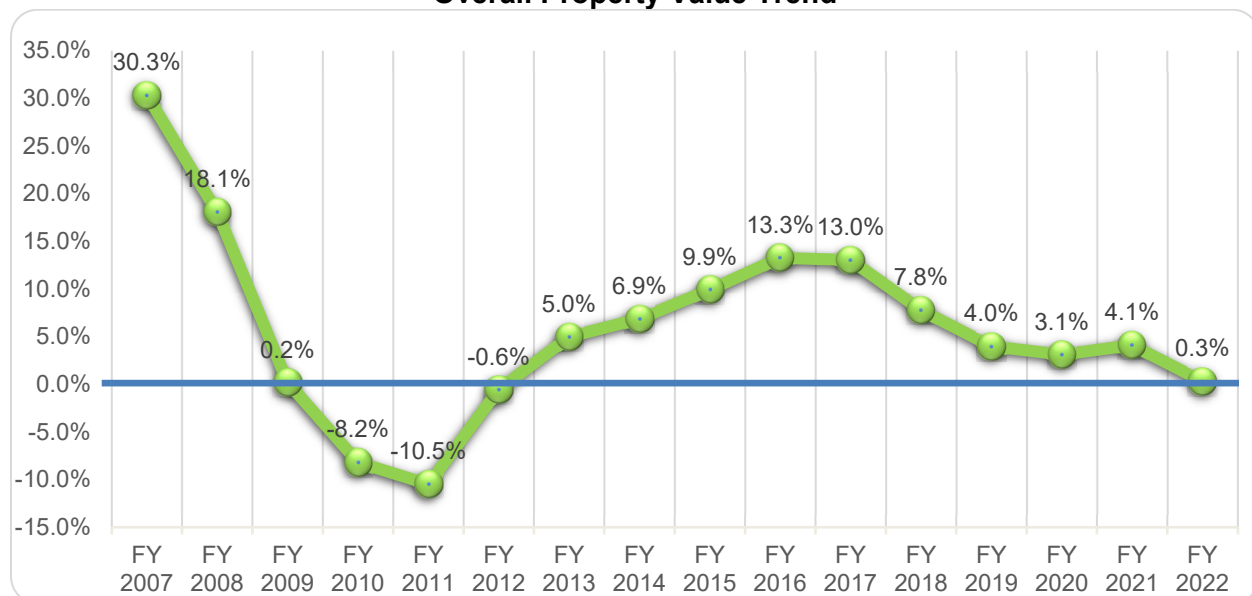
The City is projected to receive an allocation in excess of \$20 million in one-time federal dollars from the American Rescue Plan Act to address the projected revenue shortfalls attributed to COVID-19, of which \$11.8 million has been received to date. The Administration recommends that these one-time funds be used to balance the projected \$19.5 million gap attributed to the impact of COVID-19 on the City's revenues in the FY 2022 budget as presented at the FY 2022 Commission Budget Retreat on June 4, 2021.

PROPERTY VALUES UPDATE

The Preliminary FY 2022 General Fund budget based on the 2021 Estimated Taxable Values as of June 1, 2021 provided by the Miami-Dade Property Appraiser's Office reflected a property tax revenue decrease of \$448,000 for FY 2022, resulting in a preliminary net General Fund gap of \$6.2 million, as further detailed in the Letter to Commission (LTC# 230-2021) dated June 1, 2021 and presented at the FY 2022 Commission Budget Retreat on June 4, 2021.

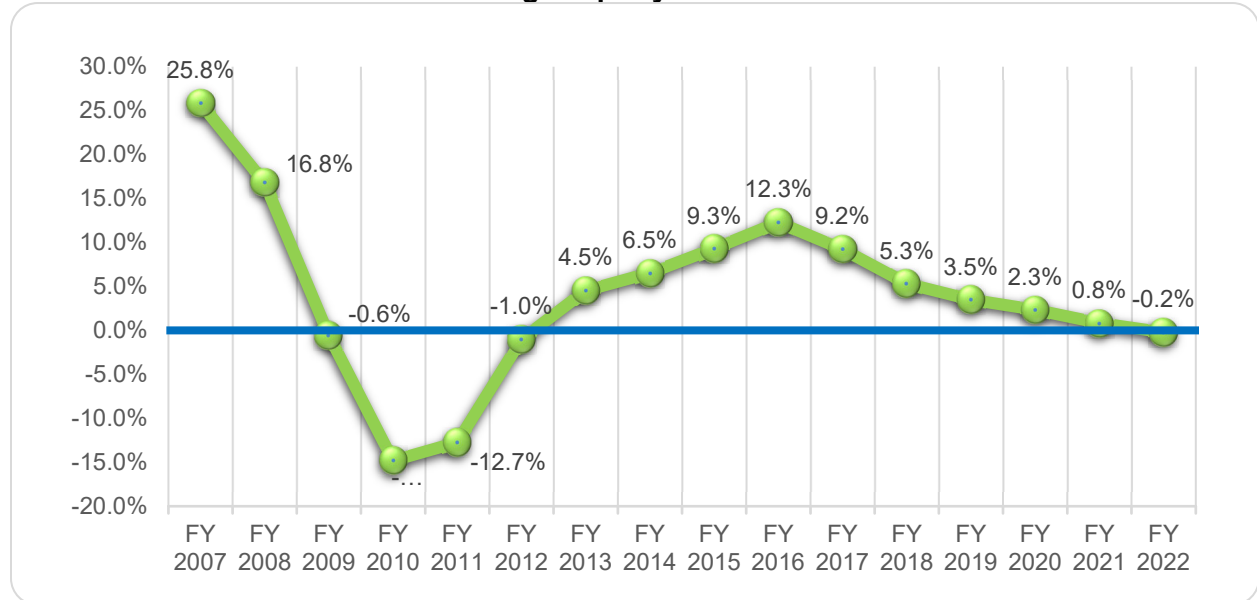
On July 1, 2021, the City received the 2021 Certified Taxable Values from the Miami-Dade County Property Appraiser indicating that the overall taxable value for the City of Miami Beach increased approximately \$123.7 million, or 0.3%, from the 2020 Certified Taxable Values of \$41.7 billion to the 2021 Certified Taxable Values of \$41.9 billion. Compared to the 2021 Estimated Taxable Values as of June 1, 2021, the Certified Taxable Values as of July 1, 2021 provided by the Miami-Dade County Property Appraiser increased \$217.7 million, or 0.5%.

Overall Property Value Trend

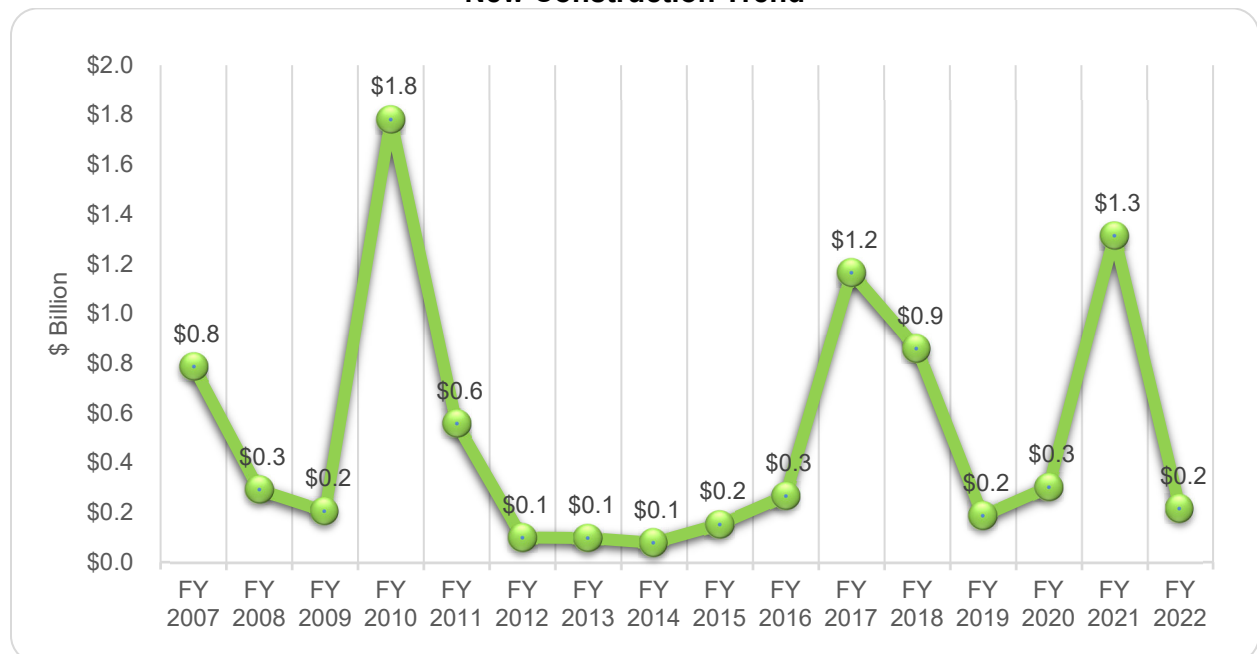


More specifically, the values include a \$91.9 million, or 0.2%, decrease in existing property values and a \$215.6 million increase in new construction values.

Existing Property Value Trend



New Construction Trend



The Preliminary FY 2022 General Fund budget based on the 2021 Estimated Taxable Values as of June 1, 2021 provided by the Miami-Dade Property Appraiser's Office reflected a property tax revenue decrease of \$448,000, or 0.2%, from the 2020 Certified Taxable Values provided by the Miami Dade County Property Appraiser's Office as of July 1, 2020. The Preliminary FY 2022 General Fund budget based on the 2021 Certified Taxable Values provided by the Miami-Dade

County Property Appraiser's Office as of July 1, 2021 reflected an increase in values of \$217.7 million, or 0.5%, compared to the 2021 Estimated Taxable Values provided by the Miami-Dade County Property Appraiser's Office as of June 1, 2021, for an overall increase in citywide General Fund property tax revenues of \$2.3 million. Of this increase, approximately \$1.2 million was due to the increase in property values.

In addition, the preliminary property tax revenue projections as of June 1, 2021 assumed property values within the City Center RDA would decrease by approximately 0.2% over the certified July 1, 2020 values based on historical trends. Based on the certified July 1, 2021 values provided by the Miami-Dade County Property Appraiser's Office though, property values within the City Center Redevelopment Agency (RDA) actually decreased by approximately \$226.5 million, or 3.7%, from the certified July 1, 2020 values. This reduction in the RDA property values resulted in a \$1.1 million increase in citywide General Fund property tax revenues over the revenues projected as of June 1, 2020.

Citywide General Fund Revenues	\$ Change
Increase in Property Tax Revenues from June 1 st based on Receipt of July 1 st Certified Taxable Values	1,184,000
Increase in Property Tax Revenues from June 1 st based on Receipt of City Center RDA Property Values	1,108,000
Total Increase in Property Tax Revenue Projection (from Estimated June 1st to Certified July 1st Values)	\$2,292,000

	July 2020 Certified	June 2021 Estimated	July 2021 Certified	\$ Change
Property Assessment				
Existing Values	41,742,998,986	41,502,000,000	41,651,084,940	(91,914,046)
New Construction	0	147,000,000	215,589,854	215,589,854
Total Citywide Property Values	41,742,998,986	41,649,000,000	41,866,674,794	123,675,808
City Center RDA	6,204,385,940	6,191,977,168	5,977,864,104	(226,521,836)
Citywide Total – Net of City Center RDA	35,538,613,046	35,457,022,832	35,888,810,690	350,197,644
Property Tax Revenue Projection	\$196,617,000	\$196,169,000	\$198,461,000	
Property Tax Revenue Projection Variance		(\$448,000)	\$1,844,000	\$2,292,000

PRELIMINARY GENERAL FUND UPDATE

Based on the 2021 Estimated Taxable Values provided by the Miami-Dade Property Appraiser's Office as of June 1, 2021, and as discussed at the FY 2022 Commission Budget Retreat on June 4, 2021, the overall Preliminary FY 2022 General Fund budget, without the impact of COVID-19 on revenues reflected a gap of \$6.2 million. The additional gap attributed to the impact of COVID-19 on revenues was \$19.5 million.

Based on the increase in the 2021 Certified Taxable Values as of July 1, 2021 over the 2021 Estimated Taxable Values as of June 1, 2021 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 approximately \$2.3 million resulting in a decrease in the preliminary net General Fund gap without the impact of COVID-19 on revenues from \$6.2 million to \$3.9 million. The additional gap attributed to the impact of COVID-19 on revenues for FY 2022 remains at \$19.5 million.

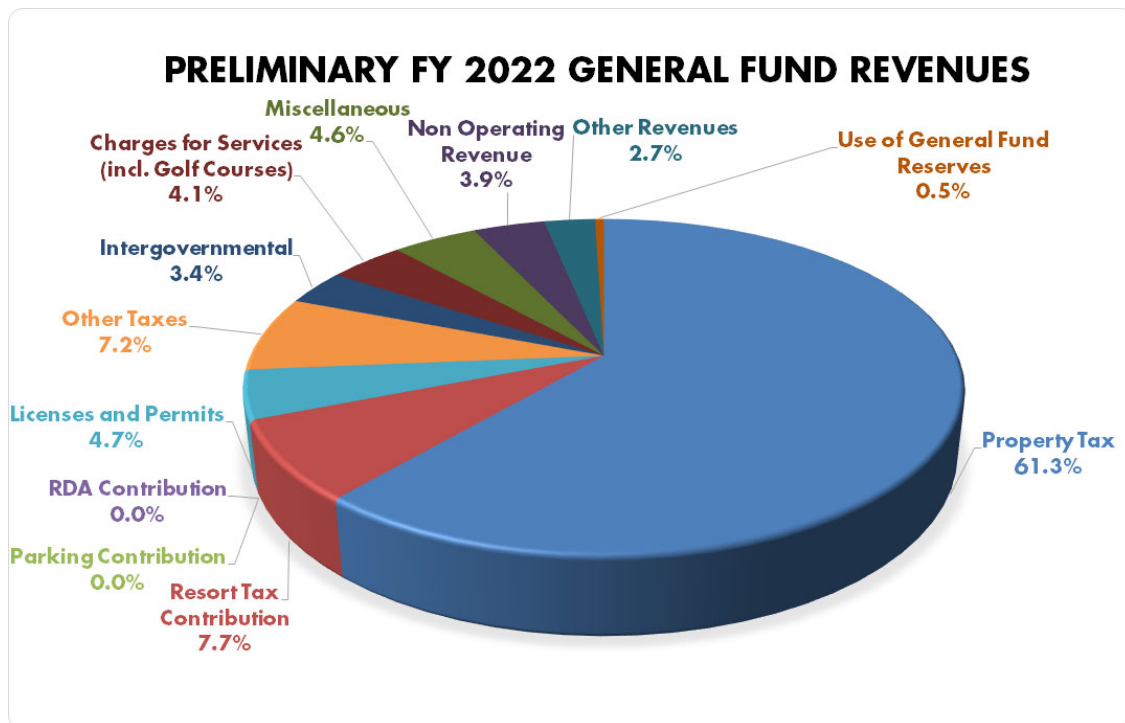
	NON-COVID-19 (Permanent)	COVID-19 (Temporary)
General Fund	(\$3.9 million)	(\$8.0 million)
Resort Tax	0	(\$11.5 million)
Total	(\$3.9 million)	(\$19.5 million)

The Administration is recommending a combination of revenue and expenditure refinements and revenue enhancements to close the projected Non-COVID-19 and COVID-19 General Fund gaps, as well as expenditure enhancements, which, if accepted by this Committee, would result in a net surplus of \$0.1 million that may be allocated at the discretion of the FERC.

GENERAL FUND CURRENT SERVICE LEVEL BUDGET UPDATE

At the FY 2022 Commission Budget Retreat on June 4, 2021, the Mayor and City Commission was briefed regarding the Preliminary FY 2022 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 2021 Certified Taxable Values provided by the Miami-Dade County Property Appraiser's Office as of July 1, 2021, citywide values increased approximately \$217.7 million, or 0.5%, over the 2021 Estimated Taxable Values provided by the Miami-Dade County Property Appraiser's Office as of June 1, 2021, which resulted in an increase of \$2.3 million in General Fund property tax revenues. Property taxes are a key driver of the preliminary General Fund revenues, and for FY 2022, represent approximately 61.3% of total General Fund revenues.

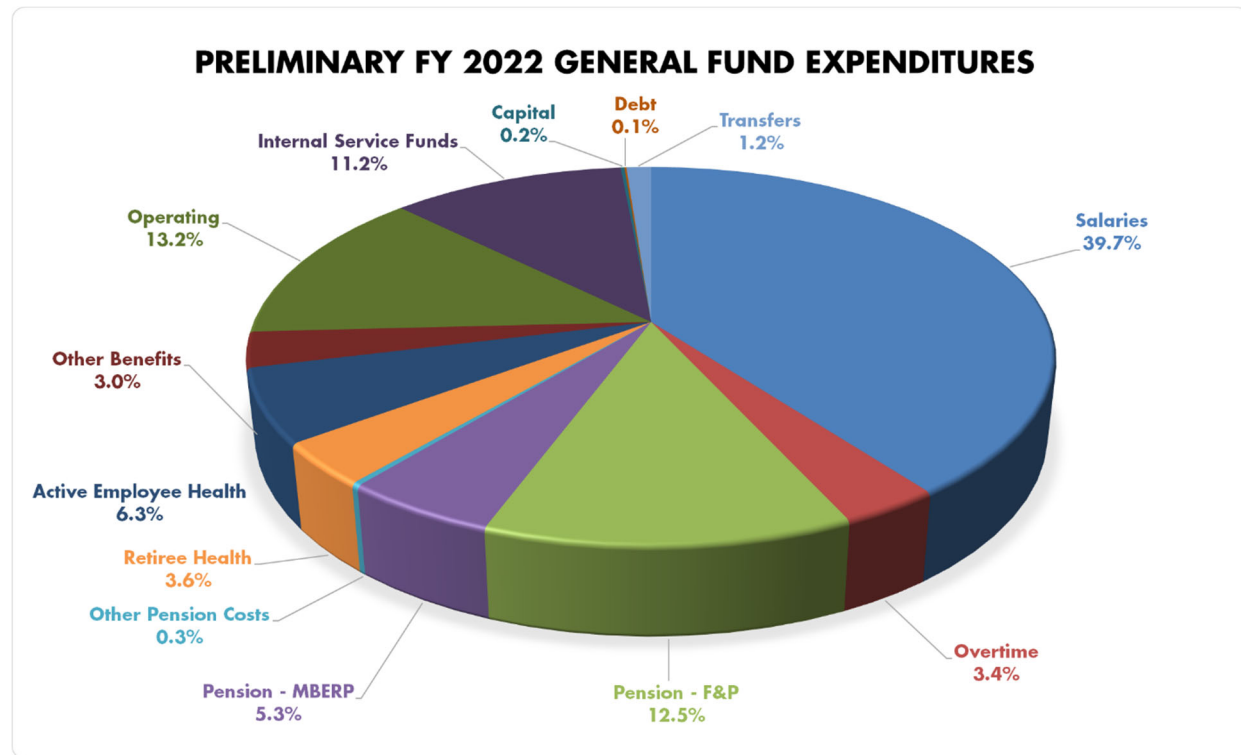


Preliminary FY 2022 revenues, which have been updated based on the 2021 Certified Taxable Values as of July 1, 2021, are estimated to decrease by \$4.9 million, or 1.5%, compared to the adopted FY 2021 budget. The chart below outlines the major variances.

Preliminary FY 2022 General Fund Revenue Variances	\$
Use of General Fund Reserves to Balance FY 2021 Budget	(9,599,000)
Additional Contribution from Resort Tax Fund for Tourism-Eligible Expenditures in the General Fund	6,399,000
City Center Redevelopment Agency Contribution	(4,414,000)
Use of General Fund Reserves for Enhanced Police Staffing in Art Deco Cultural District (ADCD) approved mid-year of FY 2021	1,546,000
Decrease in Property Tax Revenues based on <u>Estimated</u> Values as of June 1 (0.2% decrease)	(448,000)
Coca-Cola Sponsorship Revenue and Other Contractual Revenue	(372,000)
Other Miscellaneous General Fund Revenue	(316,000)
Sub-Total	(\$7,204,000)
Increase in Property Tax Revenues based on <u>Certified</u> Values as of July 1 (0.3% increase)	2,292,000
Total	(\$4,912,000)

As noted at the FY 2022 Commission Budget Retreat on June 4, 2021 and updated based on the 2021 Certified Taxable Values as of July 1, 2021, preliminary FY 2022 expenditures are estimated to increase by approximately \$18.6 million, or 5.7%. It is important to note that approximately \$9.4

million, or 50.7%, of this increase from the adopted FY 2021 budget is attributed to “one-time” expenditure reductions that were included in the FY 2021 budget to reduce costs as much as possible to mitigate the projected ongoing revenue loss from COVID-19 and judiciously use the City’s reserves to make up the difference.



The table below outlines the major variances.

Preliminary FY 2022 General Fund Expenditure Variances	\$
Fire/Police Pension	1,977,000
MBERP Pension	(1,244,000)
5% Step (Police & Fire)	1,138,000
0 – 3% Merit	1,255,000
Health Insurance – Active Employees	2,545,000
Health Insurance – Retirees	1,422,000
Internal Service Charges	(344,000)
Elimination of One-Time Expenditure Reductions Budgeted in FY 2021 due to COVID-19 (Citywide Hiring Freeze, Furloughs, Freeze on Non-Essential Expenditures and Travel)	9,430,000
Enhanced Police Staffing (15 Officers and 2 Sergeants) in Art Deco Cultural District (One-Time)	1,546,000
Parks Grounds Maintenance (going out to bid assuming 15% increase in rates); 500-700 Alton Road Park Maintenance; Parks Facilities, Courts, and Playground Improvements	1,443,000
Elimination of One-Time General Fund Contribution to Parking Fund	(1,211,000)

FY 2022 Preliminary Operating Budget Update and Millage Rate

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Preliminary FY 2022 General Fund Expenditure Variances (Cont'd)	\$
Reduction in Gulf Breeze Debt Service for Miami Beach and Normandy Shores Golf Courses (Final Payments in FY 2021)	(1,208,000)
Reduction in Pension Obligation Loan Debt Service (Final Payments in FY 2021)	(1,076,000)
Increase in Police and Fire Overtime (based on anticipated department needs)	907,000
Elimination of One-Time Enhancements Budgeted in FY 2021	(888,000)
Increase in Citywide Grounds Maintenance (Original Vendor Defaulted on Agreement during FY 2021 Resulting in Secondary Vendor Selected)	831,000
Flamingo Park Tennis Center Operations based on Increased Demand (Offset by Additional Revenue)	299,000
Education Initiatives Transferred from Education Compact Fund (Due to Disruption in Garage Advertising Agreement)	255,000
Increase in Contract Maintenance for Police and Code Compliance Body Cameras (Based on Multi-year Agreement)	252,000
Pre-Kindergarten Pilot Program Enhancement (Approved as part of FY 2021 Adopted Budget)	250,000
South of Fifth Marina Properties Expenditures for Utilities, Taxes, Licenses, etc. (Previously Funded from Parking Enterprise Fund)	249,000
Increase in Other Miscellaneous General Fund Expenditures	177,000
Sub-Total	\$18,005,000
Increase for Pre-Approved Enhancements (Parks Rangers, Business Incentive Grants, Education Initiatives, etc.)	554,000
Increase in Transfer to PayGo and CRR based on <u>Certified</u> Values as of July 1	40,000
Total	\$18,599,000

PRELIMINARY ADJUSTMENTS TO THE FY 2022 GENERAL FUND BUDGET

The FY 2022 General Fund budget based on the 2021 Certified Taxable Values provided by the Miami-Dade County Property Appraiser's Office as of July 1, 2021 reflects a revenue decrease of \$4.9 million, or 1.5%, and an expenditure increase of \$18.6 million, or 5.7%, resulting in a preliminary General Fund gap of \$23.5 million, which includes the projected revenue decrease attributed to the impact of COVID-19 of \$19.5 million for FY 2022.

	FY 2021 Adopted	FY 2022 Preliminary	\$ Variance	% Variance
Revenues	329,023,000	324,111,000	(4,912,000)	-1.5%
Expenditures	329,023,000	347,622,000	18,599,000	5.7%
Surplus/(Gap)	\$0	(\$23,511,000)		

Approach to Balance

As a result of the preliminary General Fund gap of \$23.5 million for FY 2022 based on the 2021 Certified Taxable Values provided by the Miami-Dade County Property Appraiser's Office as of

July 1, 2021, which includes the projected revenue decrease attributed to the impact of COVID-19 of \$19.5 million for FY 2022.

The Administration has identified a combination of revenue and expenditure refinements, revenue enhancements, and expenditure enhancements. These recommendations, if approved by this Committee, would result in a preliminary unallocated General Fund surplus of \$0.1 million which may be allocated at the discretion of the FERC.

The overall millage rate for FY 2022 is proposed to remain the same at 6.0515 mills. The Voted Debt Service millage rate for FY 2022 is proposed to be decreased by 0.0338 mills from the Adopted FY 2021 Debt Service millage rate of 0.3227 to 0.2889 mills based on the decrease in debt service expenditure from \$12.8 million in FY 2021 to \$11.5 million in FY 2022. The Administration recommends realigning this portion of the millage rate reduction to the operating millage rate, for an increase in General Fund revenue in FY 2022 of \$1.2 million.

	FY 2021 Adopted	FY 2022 Proposed	Increase/ (Decrease)
General	5.6298	5.6636	0.0338
Capital Renewal & Replacement	0.0235	0.0235	0.0000
Capital Pay-As-You-Go (PayGo)	0.0755	0.0755	0.0000
Total General Operating Millage	5.7288	5.7626	0.0338
Debt Service	0.3227	0.2889	(0.0338)
Total Combined Millage	6.0515	6.0515	0.0000

FY 2022 Balancing Strategies	NON-COVID-19 (Permanent)	COVID-19 (Temporary)
Surplus/(Gap) based on July 1st Values	(\$3,930,000)	(\$19,581,000)
American Rescue Plan Act Funds		19,581,000
Revenue Refinements	4,270,000	
Expenditure Refinements	997,000	
Recommended Expenditure Enhancements	(660,000)	
Recommended One-Time Expenditure Enhancements	(630,000)	
Recommended Revenue Enhancements	76,000	
Net	\$123,000	\$0

American Rescue Plan Act Funds – \$19,581,000

As previously noted, the City is projected to receive an allocation in excess of \$20 million in one-time federal dollars from the American Rescue Plan Act (ARPA) to address the projected revenue shortfalls attributed to COVID-19, of which \$11.8 million has been received to date. As presented at the FY 2022 Commission Budget Retreat on June 4, 2021, the Administration recommends that these one-time funds be used to offset the projected \$19.5 million gap attributed to the impact of COVID-19 on the City's revenues in the FY 2022 budget.

Revenue Adjustments – \$4,270,000

The Administration has further refined the FY 2022 revenue projections based on FY 2021 second quarter projected revenues and additional revenue opportunities identified. These adjustments have resulted in an increase of approximately \$4,270,000 in revenues projected for FY 2022, which are attributed to the following:

FY 2022 Revenue Refinements	\$
Refinement of General Fund revenues	1,820,000
Realign reduction in Debt Service millage rate (0.338) to Operating millage rate	1,171,000
Use of General Fund Reserve for One-Time Enhancements	630,000
Increase in Resort Tax Transfer for 55 th and 62 nd Street Lifeguard Towers and Lifeguard Towers Staffing	309,000
Sub-Total	\$3,930,000
Increase in Rents and Leases based on proposed amendment to lease with Smith and Wollensky, <u>subject to voter approval</u>	340,000
Total	\$4,270,000

Expenditure Refinements – \$997,000

Based on FY 2021 second quarter projected expenditures, the Administration has identified additional savings in the FY 2022 General Fund budget totaling \$997,000 from the following:

FY 2022 Expenditure Refinements	\$
Health Insurance Adjustment from 10% to 5% for Non-Police/Fire	997,000
Total	\$997,000

Recommended “One-Time” Expenditure Enhancements – Attachment A – (\$630,000)

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 additional General Fund enhancements below, which are considered one-time in nature, are being recommended for funding utilizing General Fund reserves for FY 2022.

License Plate Reader (LPR) for Miami Beach Re-Entry Plan: (\$210,000)

This request is to fund three mobile vehicle-mounted License Plate Readers (LPR) at an estimated cost of \$70,000 per unit (including the vehicles) for the proposed Miami Beach re-entry plan to facilitate access for City residents across the MacArthur, Julia Tuttle, and Venetian Causeways and other points of entry during high-impact periods as discussed at the June 23, 2021 City Commission meeting.

Appraisals, Studies, Assessments, & Analysis: (\$150,000)

The Economic Development Department anticipates negotiating public-private-partnerships to include the development of City-owned properties, which will require the City to appraise and assess all impacted properties, as well as various analysis and studies to identify and evaluate the benefits of these partnerships for the City.

Public Relations and Marketing: (\$75,000)

This request is to enhance targeted public relations and marketing efforts to assist in the attraction and relocation of at least three (3) financial services or technology firms to Miami Beach since the City has now taken on a broader economic development role including targeted business attraction and retention, working more closely with our public and private sector partners, and developing an enhanced public relations and marketing campaign.

ADA Compliance: (\$70,000)

The City of Miami Beach must use all reasonable efforts to make all electronic documents accessible with Web Content Accessibility Guidelines (WCAG). In discussions with the Information Technology and Marketing and Communications Departments, the City should extend these efforts to ensure all digital information (not only in documents) is also accessible and compliant with WCAG. This request is to train City staff to ensure all information shared digitally is created with accessibility in mind, and monitoring of the progress is required to ensure the City/staff is qualified and able to continue to do it independently in the future.

Citywide Store Front Covers: (\$45,000)

The Economic Development Department recognizes the need to prevent the harmful impacts caused by vacant storefront windows and doors on the ground floor of commercial properties. On May 8, 2019, the Mayor and City Commission adopted Resolution 2019-30810 approving the use of five artistic designs created by Design and Architect Senior High students for storefront covers and prior funding for this program was designated by area (North Beach, Middle Beach, and South Beach). This request will allocate funding to properties in all areas of the City on a first-come, first-serve, basis going forward.

Commercial Lease Subsidy: (\$40,000)

This request is to cultivate a carefully curated experience in the Art Deco Cultural District, which will require commercial lease subsidies to attract or retain culturally oriented businesses needed. This incentive would provide rent stabilization to new or existing businesses that promote a positive, family-friendly, cultural experience for residents and tourists.

CRA Planning Reports: (\$40,000)

During the process of establishing the North Beach Community Redevelopment Agency (CRA), some residents and stakeholders indicated an interest in expanding the proposed CRA boundaries. In order to accomplish this, State Statute dictates that a Finding of Necessity must be completed and accepted by the governing body. The Redevelopment Plan would also need to be amended to increase the Redevelopment Area as stipulated by the Finding of Necessity and subsequently be approved by the CRA Board, City Commission, and Board of County Commissioners.

Recommended Expenditure Enhancements – Attachment A – (\$660,000)

Attachment A reflects a listing of all FY 2022 expenditure enhancements with detailed descriptions, of which those recommended for FY 2022, are also detailed below:

Additional Sworn Police Officer (2) Positions: (\$336,000)

This request is for the addition of two sworn Police Officer positions, as recommended by the Mayor and Commission at its June 23, 2021 meeting, contingent on approval by voter referendum in November of the new proposed Smith & Wollensky lease. The lease revenue is projected to increase by \$340,000 in FY 2022, and incrementally every year thereafter until 2025, for a total projected increase of \$1,142,000, which is the equivalent of six Police Officers, should these additional funds be allocated for Police Officers.

Additional Lifeguard Towers and Staffing at 55th and 62nd Street: (\$309,000)

This request is to enhance public safety on the City's beaches by adding two lifeguard towers at 55th and 62nd Streets and staffing these towers with four additional Lifeguard positions. This enhancement request would be funded through an additional transfer from the Resort Tax Fund to the General Fund in FY 2022.

Cat Network Program: (\$15,000)

The Cat Network Program is a spay/neuter program for surgeries, vaccines, and wellness. This request is to provide funding to replace the previous grant from PetSmart (which has not been renewed) operating expenditures necessary for the program to be successful. This request is in addition to the existing \$31,000 currently funded by the City.

In addition to the recommended FY 2022 recurring expenditures enhancements above totaling \$660,000 and recommended FY 2022 one-time expenditure enhancements totaling \$630,000 above, the following pre-approved expenditure enhancements are also reflected in Attachment A, totaling \$804,000. These enhancements were presented at the FY 2022 Commission Budget Retreat on June 4, 2021, and are included in the Preliminary FY 2022 General Fund budget as detailed below:

Pre-Kindergarten Program: (\$250,000)

This request is to expand access to high quality PreK providers by providing up to \$2,700 per school year to 92 eligible Miami Beach families to use with any PreK provider who has partnered with the City. Continuation of this program, which was approved in FY 2021 as a pilot, will attract new families to the City of Miami Beach and support the City's economic development goals.

Addition of Park Rangers for 500-700 Alton Road Park: (\$189,000)

With the 500-700 Alton Road Park coming online in the next few months, it is important to prepare to have security coverage for this new facility. As a result, this request is to add four part-time Park Ranger positions to provide coverage 15 hours/day, 7 days a week.

Job Incentive Creation Program: (\$180,000)

This request is for the creation of a performance-based incentive known as the Job Creation Incentive Program (JCIP). The purpose of the JCIP will be to strategically attract companies and expand existing businesses within the City of Miami Beach while increasing the number of quality, high-wage jobs, in the community.

Addition of Park Rangers and Janitorial Services at Polo Park: (\$139,000)

Polo Park has funding for a sports lighting project that will expand the time of play at the park. As a result, this request is to add two (2) part-time Park Ranger positions to provide coverage in the evenings, as well as provide additional janitorial services to maintain the school restrooms for park users in the evenings.

Math Tutors Afterschool: (\$15,000)

As a result of the closing of schools, virtual learning, and interrupted school site instruction due to COVID-19, Miami Beach youth at Miami Beach Nautilus Middle and Miami Beach Senior High School have suffered significant learning losses and fallen behind in mathematics classes. To support youth mathematics achievement and to allow students to meet annual mathematics performance levels in classes such as Algebra I and Geometry with end of course exams, afterschool tutors from Florida International University will provide individual and small group mathematics support after schools which will allow students to self-enroll, as needed, as approved by the City Commission on January 13, 2021 through Resolution 2021-31562.

Flu Vaccines: (\$15,000)

According to the Center for Disease Control (CDC), influenza rates among kids and young adults have been higher in the past flu season pre-COVID. Getting a flu vaccine will not protect against COVID-19; however, flu vaccination has many other important benefits. To provide future protection from the flu, the City allocated \$15,000 in FY 2020 to administer flu shots in Miami Beach for any Miami Beach resident. This funding would provide continued City support for this program.

GED/ESOL Classes: (\$11,000)

This request is to prepare resident adult learners to enter career and technical fields and/or post-secondary education, employment, and participation in civic life.

- GED: Motivates students to obtain the diploma and use acquired skills in the workforce and to achieve career and job placement success
- ESOL: Provides literacy instruction for English language learner adults, in order to increase their ability to communicate in English

Substitute Teacher Incentive Program: (\$5,000)

This request is to recruit residents of Miami Beach to become substitute teachers for Miami Beach public schools and offers them an incentive such as a citywide parking permit or funding of the cost to attain a substitute teacher certification.

Recommended Revenue Enhancements – Attachment B – \$76,000

Attachment B includes a listing of all revenue enhancements, including detailed descriptions, of which those recommended for FY 2022, are summarized below:

Y 2022 Revenue Enhancements	\$
Sidewalk Café Application Fee (from \$159 to \$865) to offset the cost of the new Project Engineer position created in FY 2021 to manage the City's existing Sidewalk Café procedures	76,000
Total	\$76,000

The above-mentioned recommendations, if approved, would result in an unallocated General Fund surplus of approximately \$0.1 million, which may be allocated at the discretion of the FERC.

FY 2022 Balancing Strategies	NON-COVID-19 (Permanent)	COVID-19 (Temporary)
Surplus/(Gap) based on July 1st Values	(\$3,930,000)	(\$19,581,000)
American Rescue Plan Act Funds		19,581,000
Revenue Refinements	4,270,000	
Expenditure Refinements	997,000	
Recommended Expenditure Enhancements	(660,000)	
Recommended One-Time Expenditure Enhancements	(630,000)	
Recommended Revenue Enhancements	76,000	
Net	\$123,000	\$0

USE OF GENERAL FUND RESERVES

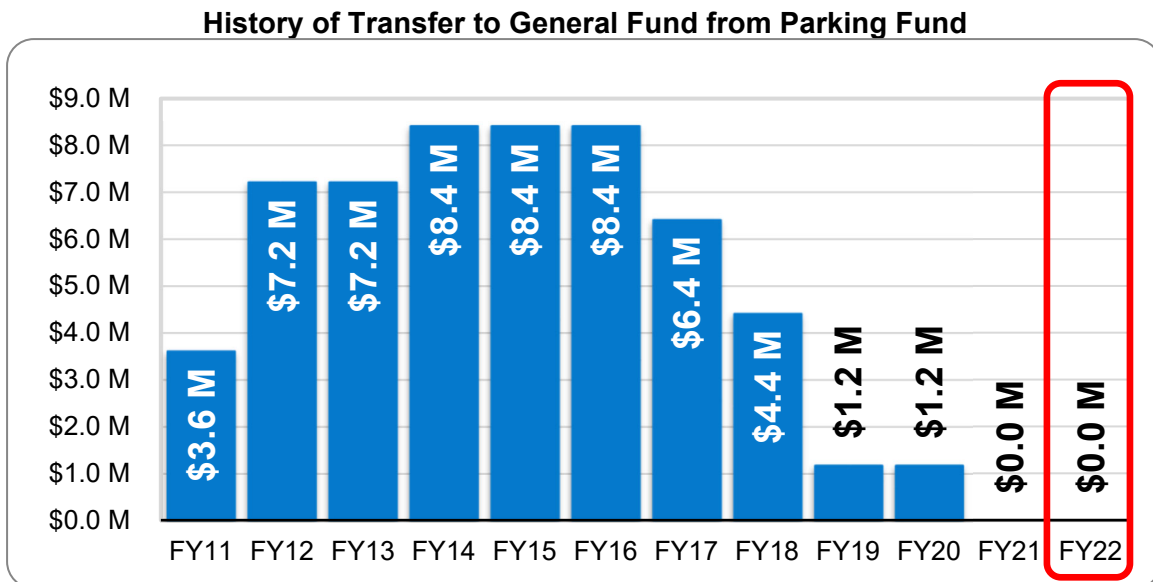
The projected FY 2021 General Fund reserve balance is approximately \$78.1 million. If the FERC and City Commission approve the General Fund's budget balancing recommendations outlined by the Administration for FY 2022, the remaining General Fund reserve balance would be \$79.6 million, or 22.7%. This 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
Pre-COVID-19 Reserve	\$80.6 million
Use of Reserve in FY 2020	(\$0.3 million)
Use of Reserve in FY 2021	(\$2.6 million)
Projected FY 2021 Reserve	\$77.7 million
Additional Reserve in FY 2022	\$1.9 million
Preliminary FY 2022 Reserve	\$79.6 million

PARKING & RDA FUND TRANSFERS TO THE GENERAL FUND

The General Fund budget adopted for FY 2021 included a \$3.3 million decrease in pension debt expenditures that resulted from the planned retirement of the City's pension debt obligations during FY 2021. The Preliminary FY 2022 budget includes an additional \$1.2 million in savings as there will be no further pension debt expenditures anticipated, which represents \$4.5 million of recurring savings in the operating budget.

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, as part of the FY 2021 budget, the subsidy from the Parking Enterprise Fund to the General Fund was eliminated and the Administration recommends that this continue for in subsequent years.



Similarly, the Administration's objective has been to reduce the General Fund's reliance on the transfer from the City Center Redevelopment Agency (RDA), 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. 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 will end in FY 2024.

To eliminate the City's reliance on these RDA one-time funds, the Administration recommends offsetting the savings from the pension debt expenditures with the reduction in the transfer from the RDA, which would release the RDA funds to be utilized for one-time purposes in the budget, such as the replacement of General Fund vehicles, through FY 2023.

Recommended Use of RDA Funds

Expenditure	FY 2022	FY 2023	FY 2024
Replace General Fund Fleet with Cash	5,613,000	5,848,000	0
Total	\$ 5,613,000	\$ 5,848,000	\$ 0

2% RESORT TAX FUND

At the FY 2022 Commission Budget Retreat on June 4, 2021, the Mayor and City Commission were also briefed regarding the Preliminary FY 2022 Resort Tax budget.

	FY 2021 Adopted	FY 2022 Preliminary	\$ Variance	% Variance
Revenues	46,102,000	51,288,000	5,186,000	11.2%
Expenditures	46,102,000	51,288,000	5,186,000	11.2%
Surplus/(Gap)	\$0	\$0		

Preliminary 2% Resort Tax revenues are estimated to increase approximately \$5.2 million, or 11.2%, from the Adopted FY 2021 budget based on revenues being projected at 85% of FY 2019 (pre-COVID-19) actuals due to strong domestic travel during COVID-19 and the City being recognized as an attractive outdoors destination although conventions and meetings, as well as the cruise industry and international travel are still recovering from the COVID-19 pandemic.

Items Included in Preliminary FY 2022 Revenues	\$
Increase in 2% collections based on actuals as of April 2021 (assuming 85% of actual FY 2019 collections)	5,875,000
Decrease in projected interest income (lower interest rate environment)	(646,000)
Decrease in other miscellaneous revenues	(43,000)
Total	\$5,186,000

Similarly, Preliminary 2% Resort Tax expenditures are estimated to increase approximately \$5.2 million, or 11.2%, from the Adopted FY 2021 budget, as summarized below.

Items Included in Preliminary FY 2022 Expenditures	\$
Transfer to General Fund for Tourism-Eligible Expenditures in the General Fund (approx. \$25.0M of \$ 36.8M Budgeted in FY 2020 and \$151.5 Eligible to be Reimbursed per 2019 Study)	6,399,000
Sanitation Contribution (FY 2021 Budget Included "One-Time" Contribution of \$2.7M for Reimbursement of Prior Year Services Provided)	(2,740,000)
GMCVB Contribution (Reflects proposed contract terms: 10% of the gross 2% collections net of the 4% City allowance, plus up to \$2M incentive fee)	2,362,000
1% Convention Center Bed Tax Subsidy (2% Subsidy for Annual Convention Center Debt Service Coverage based on 1% Bed Tax Collections)	(1,414,000)
Miami Beach VCA Contribution (5% of the gross 2% collections net of the 4% City allowance)	1,370,000
One-Time Expenditure Enhancements Budgeted in FY 2021	(1,050,000)
Increase in Personnel Expenditures (2% Merit for all groups, except 5% Step for Police and Fire, and 10% increase in health over FY 2021 projections)	219,500
Increase in Miscellaneous Operating Expenditures	39,500
Total	\$5,186,000

Approach to Balance

Currently, the Preliminary FY 2022 2% Resort Tax budget is balanced. However, based on direction from the FY 2022 Commission Budget Retreat on June 4, 2021, the Administration is recommending a combination of expenditure refinements and enhancements, which, if approved by the Committee, would result in an updated balanced 2% Resort Tax budget.

FY 2022 Balancing Strategies	\$
Preliminary Surplus/(Gap)	0
Revenue Refinements	4,775,000
Expenditure Refinements	(294,000)
Recommended "One-Time" Expenditure Enhancements	(4,481,000)
Net	\$0

Revenue Refinements – \$4,775,000

As presented at the FY 2022 Commission Budget Retreat on June 4, 2021, the Mayor and City Commission were informed that all Resort Tax enhancements recommended for FY 2022 would have to be funded from Resort Tax reserves on a one-time basis until resort taxes grew enough to cover these expenditures on a recurring basis. As a result, approximately \$4.8 million of Resort Tax reserves are recommended to be appropriated based on the recommended FY 2022 expenditure refinements and enhancements detailed further below.

Expenditure Refinements – (\$294,000)

Based on FY 2021 second quarter projected expenditures, the Administration has identified additional expenditure refinements in the FY 2022 Resort Tax Fund budget totaling \$294,000 from the following:

FY 2022 Expenditure Refinements	\$
Increase in Transfer to General Fund for additional lifeguard towers to be added at 55 th and 62 nd Street and staffed with four lifeguard positions	(309,000)
Health Insurance Adjustment from 10% to 5% for Non-Police/Fire	15,000
Total	\$294,000

Recommended One-Time and Recurring Resort Tax Enhancements – Attachment A – (\$4,481,000)

In addition, the following Resort Tax enhancements, which will have to be funded on a one-time basis from Resort Tax reserves, are being recommended for funding in FY 2022:

Spring Break Producer, Infrastructure & Programming: (\$2,400,000)

Spring Break cultural programming, specifically in the Art Deco Cultural District and Lummus Park/beachfront areas, help mitigate a high impact tourist season for the City of Miami Beach. Curated programming can engage the elevated number of tourists and guests and potentially drive commercial activities, entertain, increase hotel room occupancy, reduce traffic impact, and enhance the narrative and reputation of Miami Beach during this period. This enhancement would provide for the acquisition of a highly skilled and qualified production company to assist in the creation and activation of a safe, healthy, and responsible cultural programming. As a result, this will improve the reputation and impact of Spring Break on City commercial districts, residents, and overall environment. The programming would be located directly on the beach, in the Lummus Park area of Miami Beach, between 7th Street and 11th Street, and would occur during several weekends during the months of March and April 2022 as approved by the City Commission on June 23, 2021.

Enhanced Police Staffing for Spring Break: (\$1,022,000)

Spring Break is an unsanctioned large-scale event that occurs each year beginning in mid-February until mid-April for a period of approximately 8 weeks and draws tens of thousands of college aged students and individuals with a free-for-all party mindset that has presented numerous challenges to maintain public safety and prevent disorder. Therefore, this request is to provide \$750,000 in additional overtime, \$37,000 for barricades to separate businesses from pedestrians, \$45,000 for meals for personnel during Alpha Bravo shifts to remain in the deployment areas, and \$190,000 in security guard services to support police checkpoints during Spring Break.

Code Compliance I Positions (6) for Art Deco Cultural District (ADCD): (\$589,000)

This request is for the addition of 6 Code Compliance Officer I positions to be dedicated

to the Art Deco Cultural District (ADCD), formerly known as the Entertainment (MXE) District, to provide a steady uniformed presence in the ADCD to address quality of life concerns as the district is reimagined as the Art Deco Cultural District.

Increased Funding for High Impact Periods: (\$170,000)

This request is to increase Resort Tax funding allocated for the Fire Department for high impact periods by an additional \$170,000 to more closely reflect the actual costs incurred by the Fire Department during these periods in prior years. Currently, the Fire Department receives an allocation of \$180,000 which includes Halloween on Lincoln Road, New Year's Eve, Spring Break, Memorial Day, and July 4th.

Cultural Affairs Strategic Plan (One-Time): (\$100,000)

A strategic cultural plan for Miami Beach will produce a transformative vision where culture is an integral and dynamic part of the urban economy and core identity of the city. A cultural master plan will also ensure that all public investments in arts and culture are optimized and in line with carefully articulated social purposes and strategic goals.

Pride Park, Collins Canal Park, Collins Park Cultural Arts Programming: (\$75,000)

Activation of cultural programming to encourage and attract community and neighborhood engagement. There has been a strong desire to activate Miami Beach's parks and public spaces. Funding for additional cultural programming would increase the City's portfolio of free arts and culture events happening throughout our community and engage our residents.

Enhanced In-Kind Staffing for Orange Bowl Championship: (\$75,000)

This 2022 Orange Bowl Game is similar to most large-scale events that brings tourists to the City since the championship game will be played at Hardrock Stadium. The Police Department expects excessive crowd conditions in the Art Deco Cultural District (ADCD) and at major hotels venues for which comprehensive police services and resources will be needed.

No Vacancy, Miami Beach: (\$50,000)

No Vacancy garnered extensive national and international press coverage during its debut in December 2020, reaching a total of 853,818,000 unique visitors per month (UVPM). In addition to a feature in the New York Times, the program was featured in national art publications, including Artnet, Whitewall and Art Newspaper, among others. The program is a joint collaboration between the Cultural Arts Council and Miami Beach Visitors and Convention Authority. The event provides rewarding visitor experiences, revitalizes neighborhoods (hotels, restaurants, and businesses), attracts residents, artistic businesses, and other members of the creative economies. This also creates a creative place for tourists year-round. No Vacancy is free and open to the public.

The above-mentioned recommendations, if approved by the Committee, would result in a balanced 2% Resort Tax budget.

FY 2022 Balancing Strategies	\$
Preliminary Surplus/(Gap)	\$0
Revenue Refinements	4,775,000
Expenditure Refinements	(294,000)
Recommended "One-Time" Expenditure Enhancements	(4,481,000)
Net	\$0

USE OF RESORT TAX RESERVES

The projected FY 2021 Resort Tax reserve balance is approximately \$18.7 million. If the FERC and City Commission approve the 2% Resort Tax Fund's budget balancing recommendations outlined by the Administration for FY 2022, the remaining Resort Tax reserve balance would be \$13.9 million, or 21.7%.

Resort Tax Reserve	Amount
Pre-COVID-19 Reserve	\$15.2 million
Use of Reserve in FY 2020	(\$5.0 million)
Additional Projected Reserve in FY 2021 (as of Q2)	\$8.5 million
Projected FY 2021 Reserve	\$18.7 million
Use of Reserve in FY 2022	(\$4.8 million)
Preliminary FY 2022 Reserve	\$13.9 million

TRANSPORTATION FUND

As a result of the continuing impact of COVID-19 on the City's Resort Tax revenues that fund a large part of the Transportation Fund's operations and actions taken by the Administration to balance the budgets by reducing costs as much as possible to mitigate the projected ongoing revenue loss, the Preliminary FY 2022 Transportation Fund budget reflects a balanced budget based on the recommended trolley service levels and expenditure enhancements detailed below.

Trolley Service

The FY 2022 Transportation Fund budget assumes the continuation of reduced trolley service levels that commenced on February 15, 2021 and are 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 service levels could be increased incrementally depending on budget availability. Also included are resumption of the Middle Beach On-Demand Freebee at the service level approved by the City Commission, as well as the costs for cleaning and sanitizing the vehicles.

	Pre-COVID Level of Service	FY 2021	FY 2022
Hours	18* (6 am to 12 am)	15 (8 am to 11 pm)	15 (8 am to 11 pm)
Vehicles	25	15	15
Routes	4	4	4
Frequency	Average of 15 to 20 minutes	Average of 30 minutes	Average of 30 minutes

**Except for Sundays which was 16 hours (8 am to 12 am)*

FY 2022 <u>Recurring</u> Expenditure Enhancements	\$ Year 1
Fund Maintenance of Existing Bicycle Pedestrian Pilot Project for Flamingo Park Neighborhood Open Slow Streets	(137,000)
Fund Implementation & Maintenance of Temporary Bike Lanes on Pennsylvania Avenue	(64,000)
Total	(\$201,000)

FY 2022 <u>One-Time</u> Expenditure Enhancements	\$
South Beach Promenade Short-Term Enhancements	(200,000)
Total	(\$200,000)

CONVENTION CENTER FUND

Due to the impact and gradual recovery in operations resulting from the COVID-19 pandemic, the Preliminary FY 2022 Convention Center Fund budget presented at the Commission Budget Retreat on June 4, 2021 reflected a projected \$0.5 million gap that was based on 45 events comprised of 11 Priority 1 (P1), 16 Priority 2 (P2), and 18 Priority 3 (P3) events.

Based on updated projections since May, seven new events and two cancellations have been factored into the Preliminary FY 2022 Convention Center Fund budget resulting in additional revenues of approximately \$0.4 million, as well as a reduction in projected operating costs for Pride Park, Collins Canal Park, and the Carl Fisher Clubhouse of \$0.6 million.

As a result, the updated Preliminary FY 2022 Convention Center Fund budget reflects a surplus of approximately \$0.5 million based on 50 events comprised of 13 Priority 1 (P1), 16 Priority 2 (P2), and 21 Priority 3 (P3) events, which is an increase of approximately \$1.0 million, from the projected \$0.5 million gap presented at the FY 2022 Commission Budget Retreat on June 4, 2021.

The chart below outlines the projected use of the Convention Center's Reserves since FY 2020.

	Convention Center Fund Reserve Amount
Current Reserve (as of FYE 09/30/2019)	\$13.7 million
Use of Reserve in FY 2020	(\$5.4 million)
Projected Use of Reserve in FY 2021 (as of Q2)	(\$6.9 million)
Projected Remaining Reserve	\$1.4 million
Additional Reserve in FY 2022	\$0.5 million
Remaining Reserve	\$1.9 million

NORMANDY SHORES

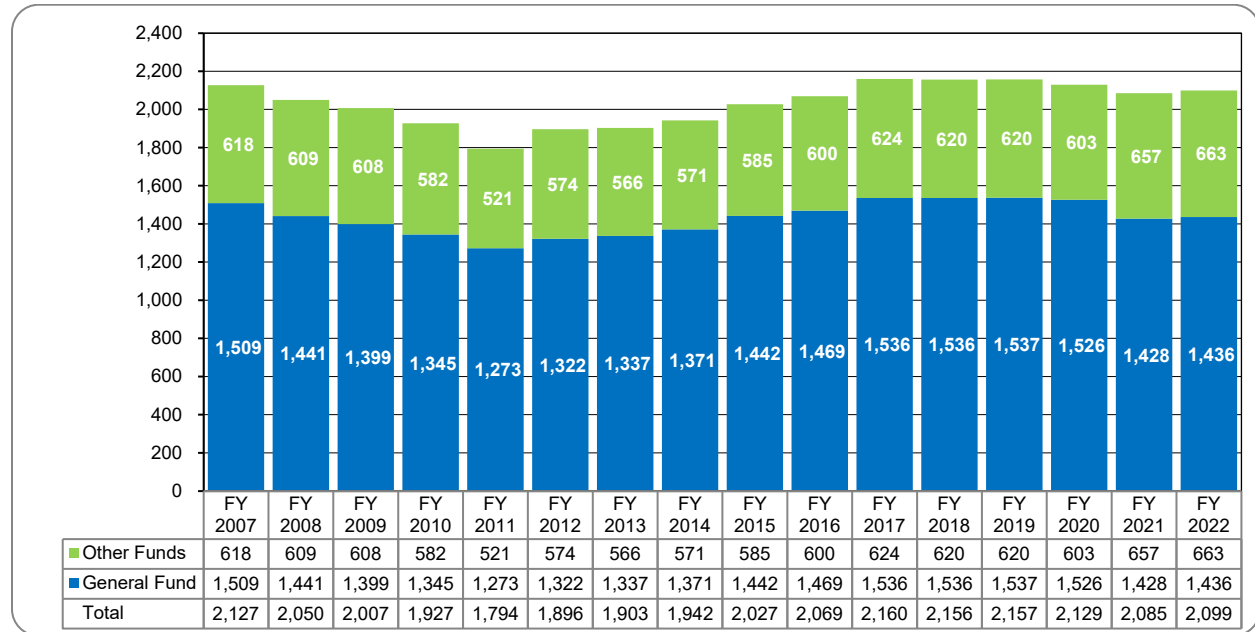
During the latter portion of the FY 2021 budget development process, there were several questions raised regarding the City's annual subsidy of 35% of the annual cost of the operation of the community guard gate for the Normandy Shores Local Government Neighborhood Improvement District. While the Mayor and Commission adopted the final FY 2021 millage and budget for the Normandy Shores Local Government Neighborhood Improvement District on September 29, 2020 through Resolutions 2020-31429 and 2020-31430, the Mayor and City Commission directed the Administration to refer an item to the Finance and Economic Resiliency Committee (FERC) to discuss the City's annual subsidy of 35% of the annual cost of the operation of the community gate guard further during the FY 2022 budget development process.

Based on direction received from the FERC, the Mayor and City Commission will set the proposed maximum millage rate for the Normandy Shores Local Government Neighborhood Improvement District for FY 2022 in accordance with the State of Florida's Truth-in-Millage (TRIM) requirements on July 28, 2021.

POSITION TRENDS

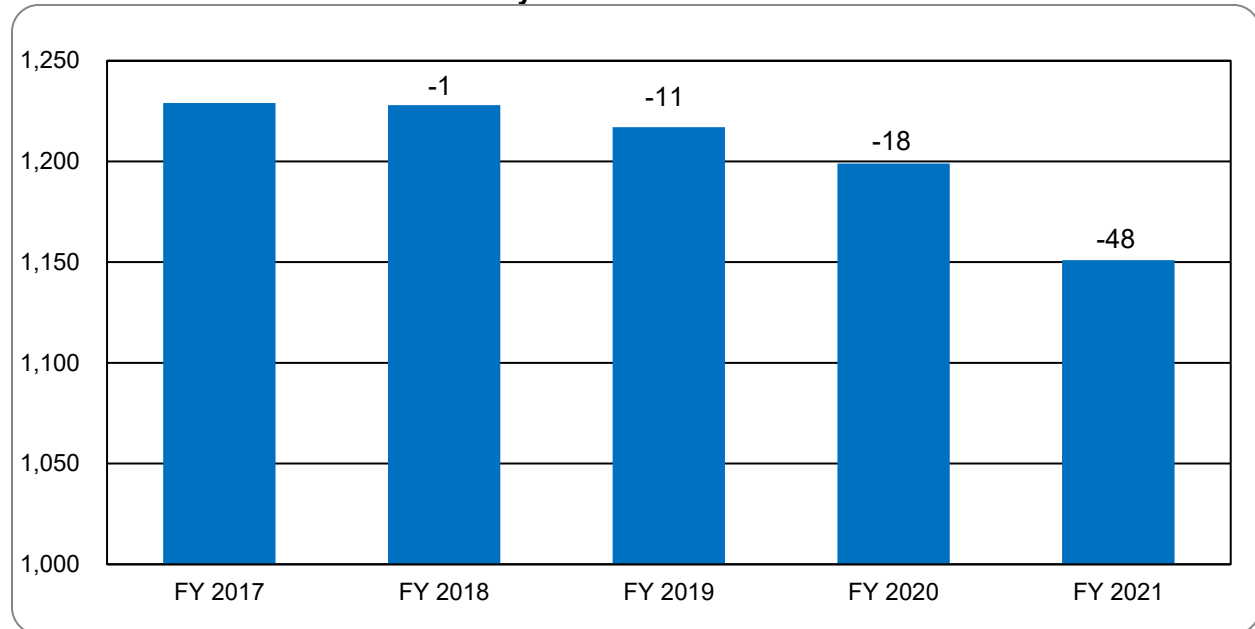
Based on the recommended enhancements, efficiencies, and reductions detailed above for FY 2022, the preliminary full-time position count is 28 positions, or 1.3%, less in FY 2022 than in FY 2007, as reflected in the chart below. It is important to note that the FY 2022 count does not include the 15 Police Officers and 2 Sergeants added during FY 2021 as one-time enhancements.

Position Count FY 2007 – FY 2022



It is also important to note that between FY 2017 and FY 2022, a total of 78 non-public safety positions, or 6.3%, have been eliminated from the budget, of which 38 are from Parking. This reduction in non-public facing positions has negatively impacted the organization's administrative capacity as workloads have increased or remained the same.

Non-Public Safety Position Count FY 2017 – FY 2021



CONCLUSION

The FY 2022 operating budgets will be finalized at the 3rd Finance and Economic Resiliency Committee (FERC) Budget Briefing to be held on July 23, 2021, along with any other final budget decisions for the Preliminary FY 2022 Budget.

At the July 28, 2021 City Commission meeting, the City Commission will set the proposed millage rate for the FY 2022 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 to be held on September 17, 2021 will be to adopt the tentative millage rates and budgets for FY 2022. The second public hearing scheduled to be held on September 30, 2021 will be to adopt the final millage rates and budgets for FY 2022. Both public hearings will begin at 5:01 p.m.

Attachment A – FY 2022 One-Time Expenditure Enhancements

Attachment A – FY 2022 Recurring Expenditure Enhancements

Attachment B – FY 2022 Recurring Revenue Enhancements

Attachment C – Responses to Commission Budget Workshop Follow-up Requests

ATH/JW/TOS