

MIAMI BEACH

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

COMMITTEE MEMORANDUM

TO: Members of the Finance and Economic Resiliency Committee

FROM: Alina T. Hudak, City Manager

DATE: June 29, 2023

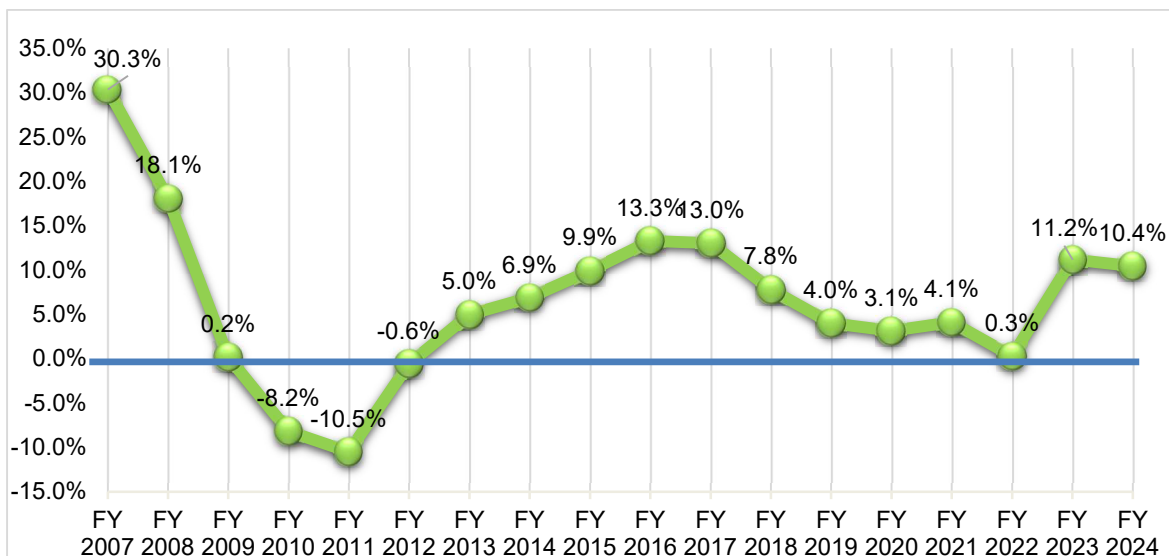
SUBJECT: Fiscal Year 2024 Preliminary Operating Budget and Millage Rate Update

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. The General Fund is the primary source of funding for the majority of City services provided such as Police and Fire, as well as Parks and Recreation, Code Compliance, Public Works, among other 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.

PROPERTY VALUES

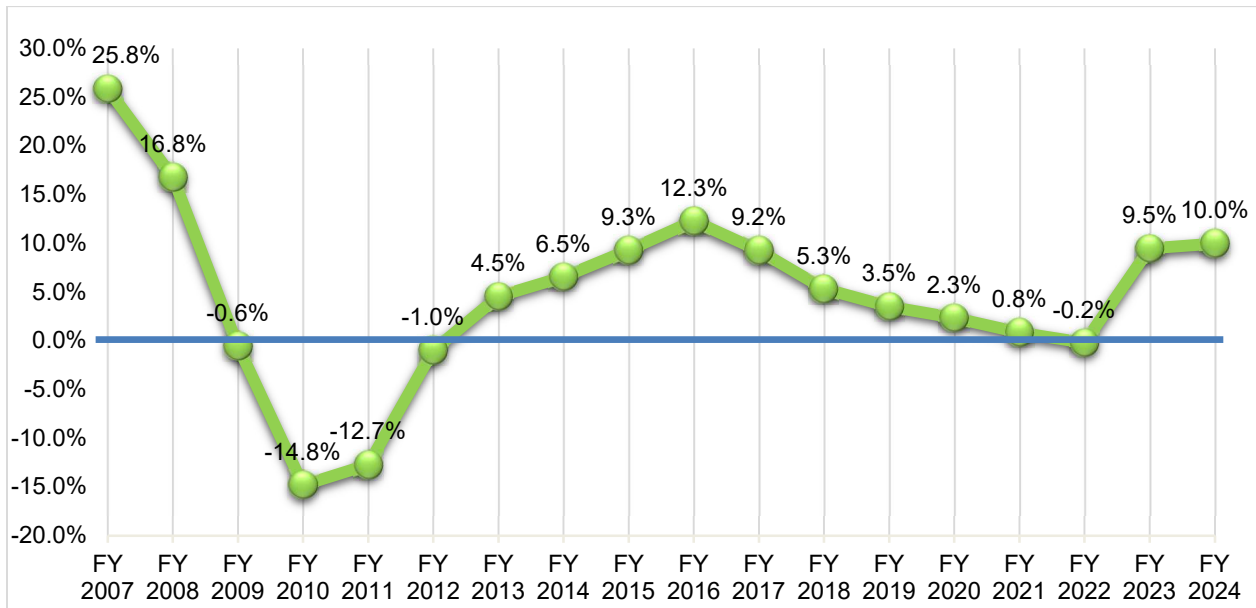
On June 1, 2023, the City received the 2023 Estimated Taxable Values from the Miami-Dade County Property Appraiser indicating that the overall taxable value for the City of Miami Beach increased approximately \$4.9 billion, or 10.4%, from the 2022 Certified Taxable Value of \$46.5 billion to the 2023 Estimated Taxable Value of \$51.4 billion.

Overall Property Value Trend

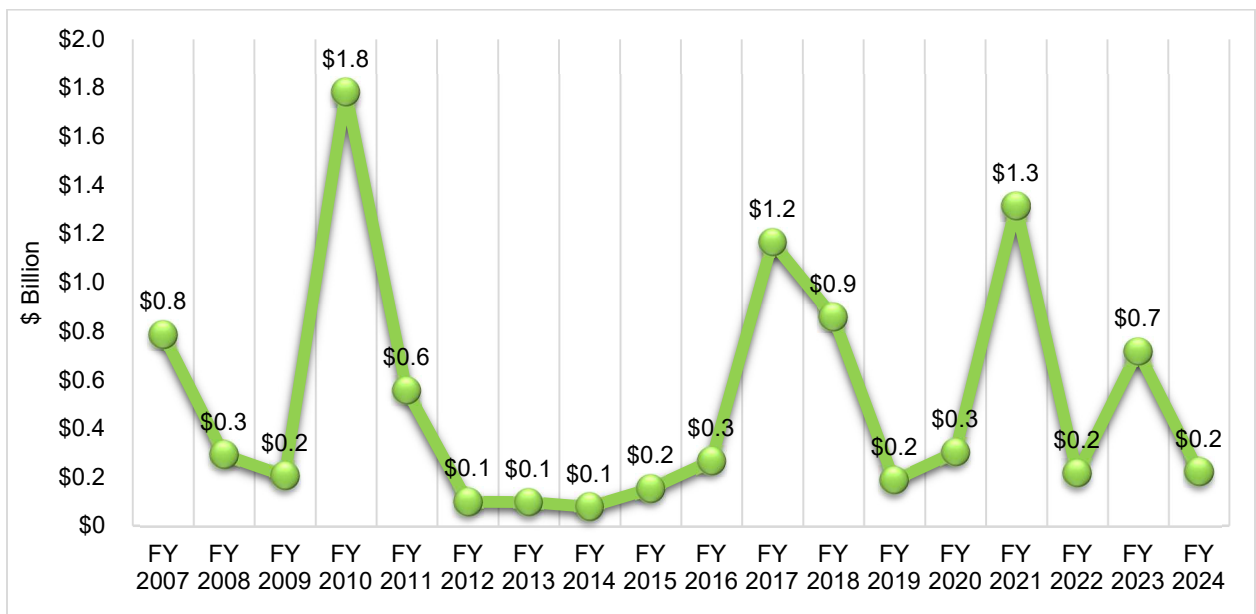


It is important to note that the overall estimated increase in values as of June 1, 2023 of \$4.9 billion, or 10.4%, is comprised of a \$4.6 billion, or 10.0%, increase in existing property values and a \$220.0 million increase in new construction values.

Existing Property Value Trend



New Construction Value Trend



PRELIMINARY GENERAL FUND BUDGET UPDATE

At the FY 2024 Commission Budget Workshop on May 11, 2023, the Mayor and City Commission were briefed regarding the FY 2024 General Fund budget. Based on the 2023 Estimated Taxable Property Values as of June 1, 2023, the overall increase in property values would result in a preliminary estimated increase of approximately \$23.0 million in General Fund property tax revenues, which is comprised of \$22.4 million for operating purposes, \$0.4 million for Pay-As-You-Go (PayGo) capital funding, and \$0.2 million for Capital Renewal & Replacement (CRR) funding.

It is important to note that the impact of the change in property values on the General Fund, specifically, will be affected by the portion of the changes in property values that occurred inside the City's two redevelopment areas (the City Center Redevelopment Agency and the North Beach Community Redevelopment Agency) compared to the changes outside the City's two redevelopment areas, which can vary from the 10.4% increase in values citywide. The breakdown between the General Fund and the City's two redevelopment areas is still pending since the City will not receive the City Center Redevelopment Agency and the North Beach Community Redevelopment Agency values until the certified values are provided by the Miami-Dade County Property Appraiser on July 1, 2023.

The Preliminary FY 2024 General Fund budget currently assumes the following:

1. No change in the operating millage rate (excludes G.O. debt service millage)
2. Does not include any enhancements or reductions unless approved during FY 2023
3. Assumes 10% increase for health and life insurance (Actives and Retirees)
4. Includes average 0-3% Merit for Non-Police and Fire and 5% Step for Police and Fire
5. Includes year 3 impacts of Collective Bargaining Agreements

	FY 2024 Budget Workshop	\$ Change	FY 2024 Based on June 1st Values
Revenues	\$396,102,000	\$23,001,000	\$419,103,000
Expenditures	\$406,761,000	\$613,000	\$407,374,000
Surplus/(Gap)	(\$10,659,000)	\$22,388,000	\$11,729,000

The Preliminary FY 2024 General Fund budget will be updated again following distribution of the Certified Taxable Values that will be provided by the Miami-Dade County Property Appraiser on July 1, 2023. Recommendations regarding balancing of the General Fund budget for FY 2024, including revenue and expenditure refinements, as well as expenditure enhancements, will be discussed at the upcoming Finance and Economic Resiliency Committee (FERC) Budget Briefings currently scheduled on July 21, 2023 and July 28, 2023.

RESORT TAX FUND

The Resort Tax Fund is a Special Revenue Fund that consists of three main components: (1) a 2% Resort Tax comprised of a 2% Bed Tax and 2% Food & Beverage Tax; (2) a 1% Bed Tax for Quality of Life (QOL) capital projects, transportation initiatives, and arts and culture; and (3) a 1% Bed Tax dedicated to the repayment of outstanding debt service for Resort Tax bonds issued as

part of the most recent Convention Center renovation and expansion project, as well as funding for renewal and replacement of Convention Center assets.

At the FY 2024 Commission Budget Workshop on May 11, 2023, the Mayor and City Commission were also briefed regarding the FY 2024 2% Resort Tax budget. Based on actual 2% Resort Tax collections as of March 2023, the projected 2% Resort Tax surplus for FY 2024 is approximately \$4.9 million, which assumes FY 2024 collections will remain flat over FY 2023 projections based on current year trends.

	FY 2024 2% Resort Tax
2% Revenues	\$79,462,000
2% Expenditures	\$74,561,000
Surplus/(Gap)	\$4,901,000

Similar to the General Fund, recommendations regarding balancing of the 2% Resort Tax Fund budget for FY 2024, including revenue and expenditure refinements, as well as expenditure enhancements, will be discussed at the upcoming FERC Budget Briefings currently scheduled on July 21, 2023 and July 28, 2023.

PROPOSED MILLAGE RATE

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

On November 6, 2018, the City of Miami Beach voters approved the issuance of a \$439 million G.O. Bond to fund a total of 57 capital projects citywide, ranging from vertical construction, roadwork, park constructions and renovations, technology implementation, renewals and repairs, and underground infrastructure work.

In addition, on November 8, 2022, the City of Miami Beach voters approved the issuance of a not to exceed amount of \$159 million in Arts and Culture Bonds to improve facilities for resiliency of arts and cultural institutions throughout the City, including museums, performance venues, artistic playgrounds, senior/cultural centers, botanical garden, aquatic sculpture park, and related artist/workforce housing.

The Voted Debt Service millage rate would provide funding for the annual debt service of the first tranche of the G.O. Bonds, as well as the Arts and Culture Bonds, through the assessment, levy, and collection of ad-valorem tax on all property within the City as part of the programs that were approved by the voters on November 6, 2018 and November 8, 2022, respectively.

Based on the 2023 Estimated Taxable Property Values as of June 1, 2023 provided by the Miami-Dade Property Appraiser's Office, the total required FY 2024 debt service payment of approximately \$17.5 million requires the levy of a Voted Debt Service millage rate of 0.3582 mills.

The proposed Voted Debt Service millage rate for FY 2024 is 0.1222 mills over the adopted FY 2023 Voted Debt Service millage rate of 0.2360 mills. The required \$17.5 million payment for FY 2024 is comprised of the annual debt service for the first tranche of the G.O. Bond Program that was approved by the voters on November 6, 2018 and the annual debt service for the new Arts and Culture Bond that was approved by the voters on November 8, 2022.

The millage rates below will be updated following the distribution of the Certified Taxable Values to be provided by the Miami-Dade County Property Appraiser on July 1, 2023.

	FY 2023 Adopted	FY 2024 Proposed	Inc / (Dec)
General	5.6636	5.6636	0.0000
Capital Renewal & Replacement	0.0499	0.0499	0.0000
Pay-As-You-Go (PayGo)	0.1020	0.1020	0.0000
Total General Operating Millage	5.8155	5.8155	0.0000
Debt Service	0.2360	0.3582	0.1222
Total Combined Millage	6.0515	6.1737	0.1222

At the July 26, 2023 City Commission meeting, the Mayor and City Commission will set the proposed millage rate for the FY 2024 budget process in accordance with the State of Florida's Truth-in-Millage (TRIM) requirements.

By August 4, 2023, I am required to 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 by August 24, 2023. 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.

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 currently scheduled to be held on September 27, 2023, at 5:01 p.m.

CONCLUSION

The FY 2024 General Fund budget based on the 2023 Estimated Taxable Values as of June 1, 2023 provided by the Miami-Dade County Property Appraiser's Office reflects a preliminary surplus of approximately \$11.7 million while the 2% Resort Tax Fund budget for FY 2024 reflects a preliminary surplus of \$4.9 million.

The FY 2024 General Fund budget will be updated following distribution of the Certified Taxable Values that will be provided by the Miami-Dade County Property Appraiser on July 1, 2023. Recommendations regarding balancing of the General Fund and Resort Tax Fund budgets for FY 2024, including revenue and expenditure refinements, as well as expenditure enhancements, will

be discussed at the upcoming FERC Budget Briefings currently scheduled on July 21, 2023 and July 28, 2023.

At the July 26, 2023 City Commission meeting, the Mayor and City Commission will set the proposed millage rate for the FY 2024 budget process in accordance with the State of Florida's Truth-in-Millage (TRIM) requirements.

In September, two public hearings will be held per the State of Florida's TRIM requirements. The first public hearing currently scheduled on September 13, 2023 will be to adopt the tentative millage rates and budgets for FY 2024. The second public hearing currently scheduled on September 27, 2023 will be to adopt the final millage rates and budgets for FY 2024. Both public hearings, which will begin at 5:01 p.m., will be held in the City's Commission Chambers at 1700 Convention Drive, 3rd Floor, Miami Beach, Florida 33139.

Attachment A – FY 2024 Commission Budget Retreat Follow-up Requests & Responses

ATH/JG/TOS