



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

COMMITTEE MEMORANDUM

TO: Members of the Finance & Citywide Projects Committee

FROM: Jimmy L. Morales, City Manager

DATE: June 8, 2018

SUBJECT: PRELIMINARY FISCAL YEAR (FY) 2019 GENERAL FUND BUDGET UPDATE AND PROPOSED MILLAGE RATE

The preliminary FY 2019 General Fund budget based on June 1st property values has a revenue increase of \$7.8 million and expenditure increase of \$13.2 million for a net deficit of \$5.4 million. The preliminary FY 2019 General Fund budget will be updated again following the distribution of the certified taxable values provided by the Miami-Dade County Property Appraiser on July 1st.

The preliminary Total Combined millage rate is proposed to remain the same at 5.8888 mills. Due to the 3.4 percent increase in preliminary property values for FY 2019, the debt service millage rate can be reduced by 0.0054 mills. This difference is proposed to be applied to the General Operating millage rate similar to last year.

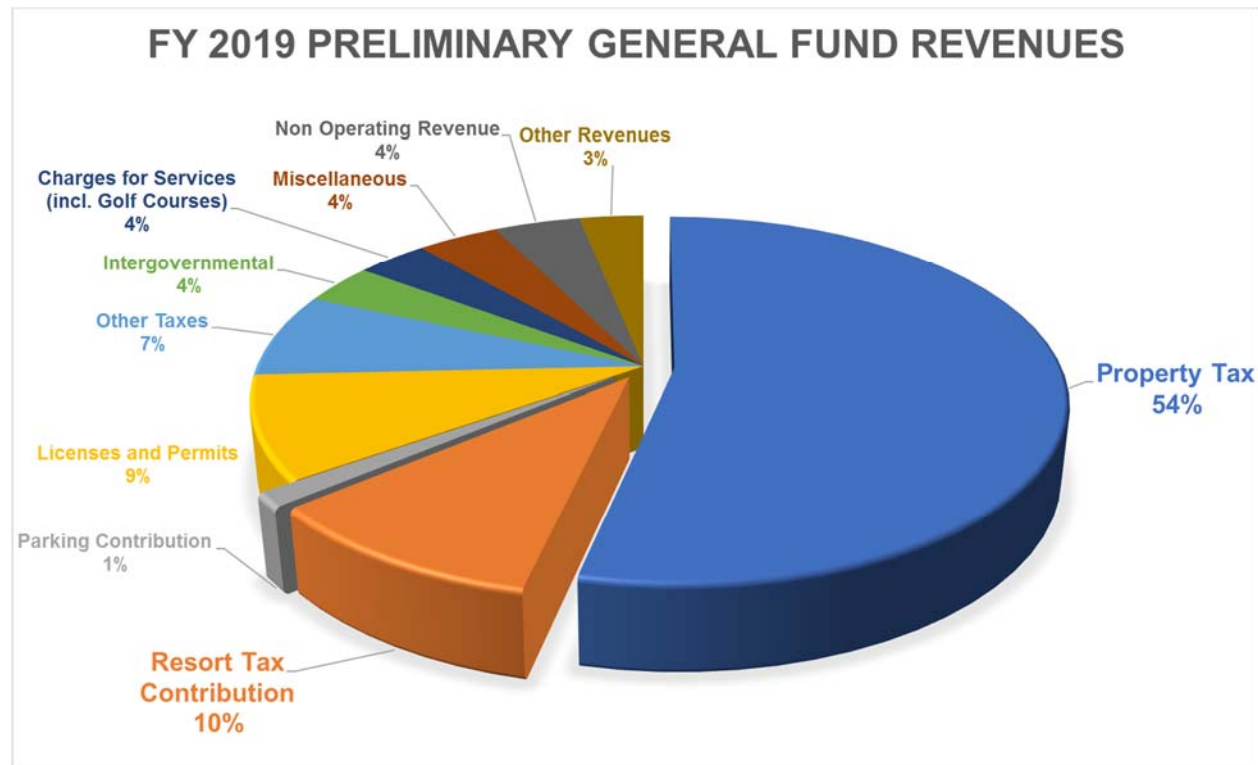
During the Commission's Budget Workshop on May 24, 2018, it was recommended that the annual transfer from the General Fund to the "Pay-As-You-Go" (PAYGO) Capital Fund be converted into a millage rate, which would allow for growth over time with property values. This proposed millage rate dedicated to funding General Fund Capital projects would be entirely offset by a decrease in the City's General Operating millage by the same rate.

At the July 25th Commission meeting, the Commission will set the proposed millage rate for the FY 2019 budget process pursuant to the State for Florida's Truth-in-Millage (TRIM) requirements.

GENERAL FUND CURRENT SERVICE LEVEL BUDGET UPDATE

At the May 24, 2018 Budget Workshop, the City Commission was briefed regarding the preliminary FY 2019 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 budget process.

The Miami-Dade County Property Appraiser provided the preliminary 2018 property values on June 1, 2018. The preliminary 2018 property values increased 3.4 percent, which resulted in an increase of \$5.8 million in General Fund property tax revenues. Property taxes comprise approximately 54% of the total General Fund revenue and are a key driver of preliminary revenues.



Preliminary revenues are estimated to increase \$7.8 million due to an increase of \$5.8 million in property tax revenues (assumed keeping the millage rate the same), and \$2.0 million increase in non-property tax revenues. These figures do not assume any change in contributions from the Resort Tax or Parking Funds for FY 2019.

Preliminary expenditures are estimated to increase \$13.2 million due to the following, of which the majority are contractually required:

- 0-3% merit pay for all groups, except Police and Fire: \$771,000
- 5% step for Police and Fire: \$1.5 million
- 1% Cost-of-Living Adjustment (COLA) effective April 1, 2019: \$680,000
- Increase in Police and Fire pension contributions of \$2.0 million attributed to an increase in the number of participants and pensionable payroll despite both pension boards voting to lower the investment rate assumption
- 15% increase in the City's portion of Medical and Dental premiums for active employees based on current claims experience: \$2.6 million
- 15% increase in the City's portion of Medical and Dental premiums for retirees based on current claims experience: \$2.2 million
- Increase in internal services chargebacks primarily due to an increase in Fleet Management debt service for replacement of General Fund vehicles and equipment: \$2.5 million
- Increase in S415 Excess Pension Plan contributions based on actuarial projections, which include additional members for FY 2019: \$300,000

- Increase in annual contribution to the Information Technology and Communications Fund (IT Tech) to provide funding for one-time technology and communications projects focused on effectively responding to the dynamic technology needs of the City: \$300,000

The preliminary FY 2019 budget also includes the annualized impact of the following additions that were approved by Commission mid-year in FY 2018:

- Elder Services / UNIDAD meal program: \$230,000
- UNIDAD maintenance: \$76,000
- Increased in General Allowance for City Commission: \$57,000
- Educational Initiatives: \$99,000

These expenditure figures do not assume additional savings from potential efficiencies and/or reductions.

The preliminary FY 2019 General Fund budget based on June 1st property values has a revenue increase of \$7.8 million and an expenditure increase of \$13.2 million resulting in a net deficit of \$5.4 million. The preliminary FY 2019 General Fund budget will be updated again following distribution of the certified taxable values provided by the Miami-Dade County Property Appraiser on July 1st.

PROPOSED GENERAL FUND MILLAGE RATE

There are two main components to the City's General Fund Total Combined millage rate: the operating millage rate and the voted debt service millage rate. The operating millage rate, which is comprised of a General and a Renewal and Replacement millage, funds operating costs in the General Fund while the debt service millage rate funds debt service for previously issued General Obligation (G.O.) bonds. In FY 2019, the debt service payment is \$5.9 million, which requires the levy of a voted debt service millage rate of 0.1610 mills. The FY 2019 Debt Service millage rate is 0.0054 mills less than in FY 2018 and this difference is proposed to be applied to the General Operating millage rate similar to last fiscal year.

For FY 2019, as presented and recommended during the City Commission's Budget Workshop held on May 24, 2018, the operating millage rate will be comprised of an additional millage rate for PAYGO Capital funds, which will provide dedicated funding and allow for growth over time with property values. This additional dedicated millage rate, equivalent to \$2.4 million included in the preliminary FY 2019 General Fund budget, will be offset entirely by a decrease in the City's General millage. Overall, the City's preliminary Total Combined millage is proposed to remain flat as reflected below.

FY 2019 Preliminary General Fund Budget Update and Proposed Millage Rate

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	FY 2018 Adopted	FY 2019 Preliminary	Variance	\$ Variance
General	5.6989	5.6284	(0.0705)	(2,230,000)
Renewal & Replacement	0.0235	0.0235	-	-
Pay-Go	0.0000	0.0759	0.0759	2,400,000
General Operating Millage	5.7224	5.7278	0.0054	170,000
Debt Service	0.1664	0.1610	(0.0054)	(170,000)
Total Combined Millage	5.8888	5.8888	(0.0000)	-

At the July 25th Commission meeting, the Commission will set the proposed millage rate for the FY 2019 budget process pursuant to the State of Florida's Truth-in-Millage (TRIM) requirements.

By August 4th, the City Manager will certify the proposed millage rate to the Property Appraiser. The proposed millage rate will be included in the TRIM notices mailed by the Property Appraiser on August 24th. The purpose of the TRIM notice is to notify property owners 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, millage rates can remain the same or be decreased throughout the remainder of the process until the final millage rates are adopted by the Commission at the second public hearing on September 26th.

CONCLUSION

The preliminary FY 2019 General Fund budget based on June 1st property values has a revenue increase of \$7.8 million and expenditure increase of \$13.2 million for a net deficit of \$5.4 million.

The preliminary FY 2019 General Fund budget will be updated again following distribution of the certified taxable values provided by the Miami-Dade County Property Appraiser on July 1st. Recommendations regarding balancing of the preliminary FY 2019 General Fund budget, including enhancements and/or efficiencies and reductions, will be discussed at the upcoming July 13th and July 20th Finance and Citywide Projects Committee (FCWPC) budget briefings.

At the July 25th Commission meeting, the City Commission will set the proposed millage rate for the FY 2019 budget process pursuant to 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 12th will be to adopt the proposed millage rates and budgets for FY 2019. The second public hearing scheduled on September 26th will be to adopt the final millage rates and budgets for FY 2019. Both public hearings, which will begin at 5:01 p.m. will be held in the Commission Chambers at 1700 Convention Drive, 3rd Floor, Miami Beach, Florida 33139.

JLM/JW/TOS