



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

COMMISSION MEMORANDUM

TO: Mayor Dan Gelber and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: September 12, 2018

SUBJECT: **A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ADOPTING TENTATIVE BUDGETS FOR THE GENERAL, G.O. DEBT SERVICE, RDA AD VALOREM TAXES, ENTERPRISE, INTERNAL SERVICE, AND SPECIAL REVENUE FUNDS FOR FISCAL YEAR 2018/19 SUBJECT TO A SECOND PUBLIC HEARING SCHEDULED ON WEDNESDAY, SEPTEMBER 26, 2018, AT 5:01 P.M.**

ADMINISTRATION RECOMMENDATION

The Administration recommends that the City Commission adopt the attached Resolution which establishes tentative budgets for the General, G.O. Debt Service, RDA Ad Valorem Taxes, Enterprise, Internal Service, and Special Revenue Funds for Fiscal Year (FY) 2018/19.

PROCEDURE

As outlined in the companion General Operating Millage Agenda Item, Section 200.065, Florida Statutes, specifies the manner in which budgets are adopted. First, the tentative millage rate for both the general operating and debt service is adopted, then immediately thereafter, the tentative budgets by fund are adopted. The attached Resolution adopting the tentative budgets for the General, G.O. Debt Service, RDA Ad Valorem Taxes, Enterprise, Internal Service, and Special Revenue Funds for FY 2018/19 is, therefore, presented to you at this time for adoption.

Additional details are contained in the Budget Message which is attached; however, highlights of that document are outlined below.

GENERAL FUND BUDGET DEVELOPMENT

As in past years, the Proposed Work Plan and Budget was developed through an intensive review process with our City Commission. Preliminary budget information was provided at the Commission Budget Workshop on May 24th and in meetings with the Finance and Citywide Projects Committee ("the Committee") on June 8th, July 13th, July 20th, and July 27th.

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 activities provided by General Fund

departments.

At the May 24, 2018 Budget Workshop, and at the June 8, 2018, July 13, 2018 and July 20, 2018 Budget Briefings, the City Commission was briefed regarding the preliminary FY 2018/19 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.

At the July 20, 2018 meeting, the Administration identified refinements to the budget based on direction given at the July 13th meeting. These recommendations, if approved, would have resulted in a balanced budget as noted below.

Balancing Strategies	\$
July 1 Preliminary Gap	(4,553,000)
Recommended Reductions	1,716,000
Recommended Revenue Enhancements	1,094,000
Recommended Enhancements	(1,981,000)
Revenue Refinements	1,485,000
Transfer in from Parking	1,166,000
Other Expenditure Refinements	-
Less One-time Expenditures	1,073,000
Surplus/ (Gap)	-

The Committee accepted the Administration's budget-balancing recommendations as noted above, and recommended funding the following enhancements:

- Additional Park Ranger coverage on the Beachwalk (for South Pointe Park to 46th Street, including Collins Park): \$322,000
- Park Ranger coverage at the Barry Kutun boat ramp: \$100,000
- Increase in the City's funding for the Bass Museum, the Colony Theater, and the Byron Carlyle Theater, which all contribute to the City's cultural landscape: \$726,000 (Resort Tax)

Adjustments Subsequent to Budget Briefings

Over the summer recess, the Administration further refined the FY 2018/19 Proposed budget based on recommendations from the budget briefings, updated FY 2017/18 third quarter projections, and refinements to the cost of recommended enhancements. These adjustments resulted in an increase of \$527,000 in revenues and a decrease of \$527,000 in expenditures as noted below.

Balancing Strategies	20-Jul	12-Sep	Change
July 1 Preliminary Deficit	(4,553,000)	(4,553,000)	-
Recommended Reductions	1,716,000	1,875,000	159,000
Recommended Revenue Enhancements	1,094,000	1,135,000	41,000
Recommended Enhancements	(1,981,000)	(2,957,000)	(976,000)
Revenue Refinements	1,485,000	1,971,000	486,000
Transfer in from Parking	1,166,000	1,166,000	-
Other Expenditure Refinements	-	290,000	290,000
Less One-time Expenditures	1,073,000	1,073,000	-
Surplus/ (Deficit)	-	-	-

Expenditure Reductions: \$159,000

- Proposed elimination of security posts at City Hall - first floor and roving guard based on the recommendation of the Police Chief: \$159,000

Revenue Enhancements: \$41,000

- Increase in Parks and Recreation Non-Resident Fees: \$41,000

Expenditure Enhancements: (\$976,000)

- Park Ranger enhancements approved at the July 20th meeting (original \$422,000 cost estimate reduced by the Parks & Recreation department): \$250,000
- Increase in the City's funding in the management agreements for the Bass Museum, the Colony Theater, and the Byron Carlyle Theater: \$726,000

Revenue Refinements: \$486,000

- Increase in revenues transferred to the General Fund from the Resort Tax Fund to cover the increase in the City's funding for the Bass Museum, the Colony Theater, and the Byron Carlyle Theater: \$726,000
- Increase in Administrative Fees to the General Fund from other Funds: \$100,000
- Decrease in Transfer from Resort Tax to the General Fund based on availability of Resort Tax funds: \$340,000

Expenditure Refinements: \$290,000

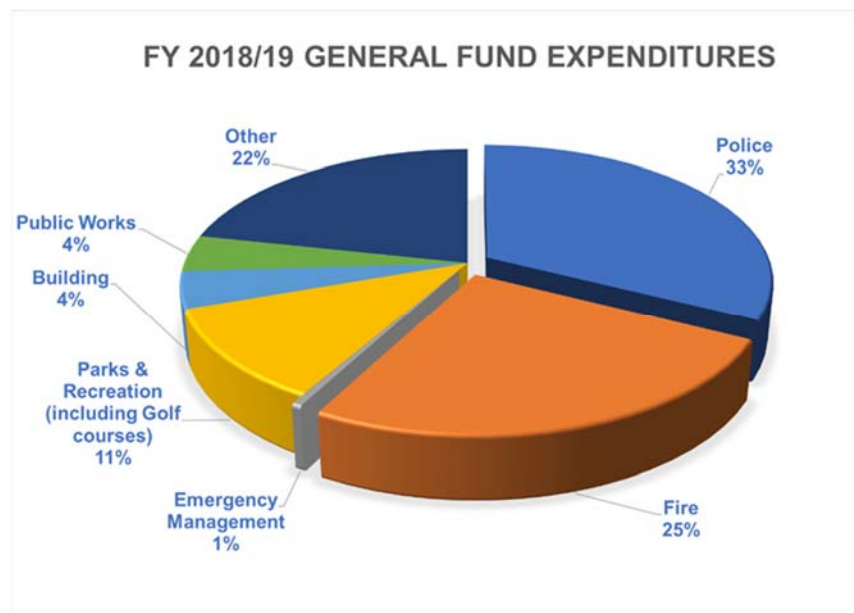
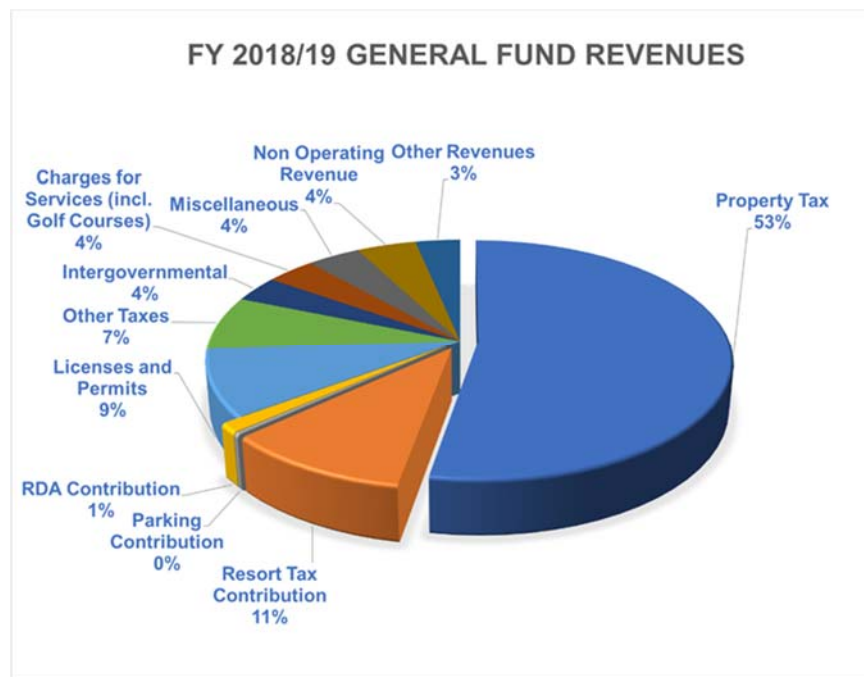
- Decrease in Risk Management charge to the General Fund based on FY 2017/18 third quarter actuarial projections: \$392,000
- Increase in Internal Service Allocation to the General Fund based on finalized proposed budget: \$102,000

FY 2018/19 Proposed Budget

Based on the direction given at the various Budget Briefings during the summer, and the budget adjustments made over the summer recess, the Administration proposes the FY 2018/19 General Fund budget as noted below, which, if approved, would result in a **balanced budget**.

September 12, 2018 Proposed Budget	\$
Revenues	345,145,000
Expenditures	(345,145,000)
Surplus/ (Gap)	-

The charts below reflect the major revenue and expenditure categories of the FY 2018/19 General Fund budget.



Recommended Expenditure Reductions/Efficiencies – Attachment A (\$1,875,000)

Attachment A includes a listing of all proposed reductions/efficiencies, and provides detailed descriptions of recommendations as noted below:

- Elimination of 5 full-time and 4 part-time vacant General Fund positions: \$469,000
- Elimination of the Rapid Response Team: \$147,000 (2 filled positions)
- Reduction of General Fund Contingency: \$332,000
- Elimination of one Assistant City Manager position once vacated: \$75,000 (pro-rated)
- Elimination of annual grant contribution to the Miami Design Preservation League per direction from the Finance and Citywide Projects Committee: \$23,000
- Other departmental operating reductions/efficiencies: \$660,000
- Transfer of contribution to Miami Beach Gay Pride Parade to Resort Tax Fund: \$10,000
- Elimination of the first floor and roving guard security posts at City Hall based on the recommendation of the Police Chief: \$159,000

Recommended Revenue Enhancements – Attachment B (\$1,135,000)

Attachment B includes a listing of all proposed revenue enhancements, and provides detailed descriptions of recommendations as noted below:

- Increase in Golf Fees: \$265,000
- Increase in Police Off-Duty Administrative Fees: \$164,000
- Increase in Elevator Permit/Inspection Fees: \$236,000
- Increase in Public Works Elevator Lockbox Fees: \$11,000
- Increase in Sidewalk Café Permit Fees: \$358,000
- Increase in Food Truck Revenues (Pilot program for 1 truck for 6 months): \$60,000
- Increase in Parks and Recreation Programming and Rental Fees for Non-Residents: \$41,000

Recommended Expenditure Enhancements – Attachments C & D (- \$2,957,000)

Attachments C and D include a listing of recommended enhancements and one companion revenue reduction, and provide detailed descriptions of recommendations as noted below:

- Police Officers in Schools: \$871,000
This enhancement will add (1) Sergeant and (6) Police Officers to increase public safety in schools. The first-year cost of adding 1 Sergeant and 6 Police Officers to be assigned to the schools is \$1,063,000, which will be offset by the elimination of (5) Part Time School Liaison Officer positions in the amount of \$192,000, resulting in a net impact of \$871,000 in year 1, including one-time costs for equipment needed (vehicles, radios, etc.).
- Park Rangers Program Expansion: \$250,000
This enhancement provides for four additional part-time Park Ranger positions to enhance coverage of the Beachwalk between South Point Park and 46th Street, including South Pointe Park and Collins Park, to 24 hours Wed-Sat, and 7am-11pm Sun-Tues (2 Park Rangers/shift). It would also provide for one part-time Park Ranger position to be

dedicated to the Barry Kutun Boat Ramp located in Maurice Gibb Park and would provide coverage 4 days/week, during high demand periods, Thurs: 12pm-5pm, Fri-Sun: 12pm-8pm (1 Park Ranger/shift).

- Living Wage Increase (General Fund): \$89,000
Based on the Finance and Citywide Projects Committee's recommendation, approved by City Commission through Resolution No. 2018-30299 on May 16, 2018, this living wage enhancement would fund the previously approved phase-in approach of increasing the minimum living wage rate by \$0.56 per hour for FY 2019. The overall citywide impact of the proposed living wage increase for FY 2019 is projected to be \$504,000, of which \$89,000 is projected to impact the General Fund.
- Part-Time Education Compact Initiatives Coordinator position: \$45,000
With the increase in the education initiatives and number of initiatives supported by the City, the Department of Organizational Development and Performance Initiatives (ODPI) requires an individual to support Education Compact initiatives and other Commission priorities related to education. In addition, this part-time position will identify opportunities and gaps in services and programs which will prepare children and youths for their futures.
- Convert Part-time School Liaison Supervisor to Full-time \$34,000
The current role of a School Liaison Supervisor (SLS) is to oversee the School Liaison Officers (SLO) and School Crossing Guards (SCG). During the regular school year, this employee is required to be available to all part-time employees throughout the various shifts. Supervision and evaluation of crossing guards is necessary at 6 schools in the City during early morning and afternoon hours, five days per week. If approved, this position will be assigned additional duties in support of the School Officer Program.
- Homeless Relocation Services: \$10,000
With this proposed increase in relocation funds, the Homeless Outreach Program will be able to reconnect up to an estimated 250 homeless clients with family living outside of Miami-Dade, Broward, Monroe, and Palm Beach County per a motion approved by the Committee on the Homeless.
- The Cat Network Program: \$10,000
The Cat Network Program is a spay/neuter program for surgeries, vaccines, and wellness. This enhancement is to provide funding outside of the grant contribution for the trailer, septic tank, marketing, feeders, badges, and other operating expenditures needed for the program to be successful.
- Colony Theater: \$330,000 – Resort Tax
The City's current agreement with Miami New Drama for management of the Colony Theater is presently \$170,000. Miami New Drama is a relatively new operator in Miami Beach, and has experienced tremendous artistic growth over the past two years, while contributing to the overall cultural landscape of our City. This enhancement increases the City's management agreement with Miami New Drama to \$500,000 and would be funded through an additional transfer from the Resort Tax Fund to the General Fund in FY 2018/19.

- **Bass Museum: \$234,000 – Resort Tax**
The City's current management agreement with the Friends of the Bass Museum is \$651,000. This enhancement increases the City's management agreement to \$885,000. The management company has spent many months working with City staff to provide full accounting and transparency regarding its earned and contributed income goals both this year and long-term, within the requested methodology to analyze the City's funding as it relates to the 2010 agreement to assume responsibility for the collection and its display. Pursuant to this agreement, it stands to reason that the City's annual contribution would go up in line with the annual Consumer Price Index (CPI). This has not happened over the past eight years; therefore, this enhancement would assume the full funding request in FY 2018/19, in order to be current, fiscally responsible, especially in light of the newly renovated facility and greatly enhanced exhibiting parameters. This enhancement would be funded through an additional transfer from the Resort Tax Fund to the General Fund in FY 2018/19.
- **Byron Carlyle Theater: \$162,000 – Resort Tax**
As part of a comprehensive strategy to incentivize local film in Miami Beach, the City of Miami Beach currently has an agreement with O'Cinema to operate the Byron-Carlyle Theater. As part of the City's current support, O'Cinema Management is seeking additional support of \$150,000 via this enhancement request for ongoing maintenance and repairs, as well as an annual subsidy to support and expand current programming in the theater. The current management agreement also stipulates that O'Cinema pay the City an annual minimum guarantee, as well as reimburse the City for 72% of the utility costs for the theater. This enhancement also requests, as a companion revenue reduction request (as noted in Attachment D), that the annual minimum guarantee and proportionate reimbursement to the City of 72% of the theater's utility costs be reduced (submitted as a \$12,000 revenue reduction request). The overall impact of this request is \$162,000. This enhancement would be funded through an additional transfer from the Resort Tax Fund to the General Fund in FY 2018/19.

Other Revenue Refinements (\$1,971,000)

In addition to the recommended revenue enhancements listed above for FY 2018/19, the Administration refined the FY 2018/19 revenue projections throughout the budget process as more current year data became available. These adjustments resulted in an increase of approximately \$1,971,000 in FY 2018/19 projected revenues, primarily due to the following:

- Increase in Resort Tax transfer to the General Fund: \$160,000
- Increase in projected Interest Income: \$500,000
- Increase in Code Compliance Violation revenues: \$250,000
- Increase in Fire-Ambulance Fees: \$250,000
- Increase in revenues transferred to the General Fund from the Resort Tax Fund to cover the increase in the City's funding for the Bass Museum, the Colony Theater, and the Byron Carlyle Theater: \$726,000
- Increase in Administrative Fees to the General Fund from other funds: \$100,000
- Decrease in other miscellaneous revenues: \$15,000

Parking Fund Transfer to the General Fund (\$1,166,000)

In order to reduce the burden on the Parking Fund, the Administration's goal was to reduce the \$4.4 million subsidy from the Parking Fund to the General Fund during the FY 2018/19 budget development process.

Based on direction given at the July 20th Budget Briefing, the FY 2018/19 transfer from the Parking Fund to the General Fund decreased from \$4.4 million to \$1,166,000 and was offset by a transfer of funds released from the City Center Redevelopment Agency (RDA) Fund in the amount of \$4.4 million in FY 2018/19. These RDA funds became available through approval of the Fourth Amendment to the Interlocal Agreement between the City and Miami Dade County. The City's objective is to reduce the General Fund's reliance on this funding from the RDA over the next four years during each budget development cycle.



One-Time Expenditures (\$1,073,000)

Pursuant to 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.

In an effort to further make investments toward creating additional capacity and increasing efficiency in the future, the Administration is recommending funding the FY 2018/19 enhancements below, which are considered one-time in nature, utilizing fund balance in accordance with Resolution No. 2006-26341:

- First-Year Funding Bridge for Office of the Inspector General: \$484,000
The pro-rated cost of the Office of the Inspector General, if approved by the voters on November 6, 2018, is projected to be \$484,000 in its first year of operation (FY 2018/19). The intention is to fully fund this new office from a surcharge on City contracts, similar to Miami Dade County's surcharge. It is important to note that surcharge revenues, if

approved by the City Commission, would apply to new contracts as they are re-awarded. As a result, the full \$1.0 million in revenues needed to fund the projected year-two costs, which are annualized, would not be realized until FY 2023. Funding the first-year cost as a one-time expenditure from fund balance would be the first step in the funding bridge.

- Sunset Islands 3 & 4 Undergrounding Project Debt Service: \$212,000
To advance fund the Sunset Islands 3 & 4 Utility Improvement, as adopted by Resolution 2015-29180, \$1.5 million was borrowed from the General Fund as approved by Resolution No. 2016-29273. There is currently no 3rd party outstanding debt. Once the project is completed, the City will enter into a bank loan in order to reimburse itself from the proceeds of such loan for funds advanced by the General Fund. Pursuant to Resolution 2015-29180, Section 8, the City will start billing a Special Assessment once the Mayor and Commission adopt a Resolution accepting the improvements as completed. Shortly thereafter, the City will commence billing and collections of the Assessment. Assessment receipts will be used to pay the loan. The \$212,000 is budgeted in anticipation of project completion in FY 2019, which could result in a debt service payment before the Assessments are collected.
- Business Tax Receipt (BTR) Process Improvements: \$200,000
A subject matter expert would be retained to assess the City's Business Tax Receipt process and provide recommendations for improvement, which would be geared toward streamlining the BTR processes and increasing efficiency.
- Camillus House Pilot Project: \$92,000
This organization proposes conducting targeted street outreach to chronically homeless persons with mental illnesses to provide medication and engagement to enable shelter and housing placement for those served. This request was recommended by the Committee for Quality Education and received a favorable recommendation for funding from the Neighborhood and Community Affairs and Finance and Citywide Projects Committees.
- Washington Avenue Master Plan: \$50,000
The Washington Avenue Master Plan would be developed to focus on improvements to increase vibrancy, lighting, and gathering points along the Washington Avenue corridor for both residents and visitors.
- Employee Innovation Academy: \$35,000
Employees at all levels would be educated on principles geared toward the elimination of waste, increased efficiency, improving processes, and ultimately creating a higher standard of government.

Use of Resort Taxes to offset Tourism Eligible Expenditures in the General Fund

Based on an outside consultant study conducted in 2016 using actual expenses for FY 2013/14, the study estimated that there are approximately \$55 million in eligible Resort Tax expenditures in the General Fund.

These include expenditures associated with police officers serving entertainment areas; a portion of fire rescue services from Fire Stations 1 & 2; ocean rescue services; enhanced code

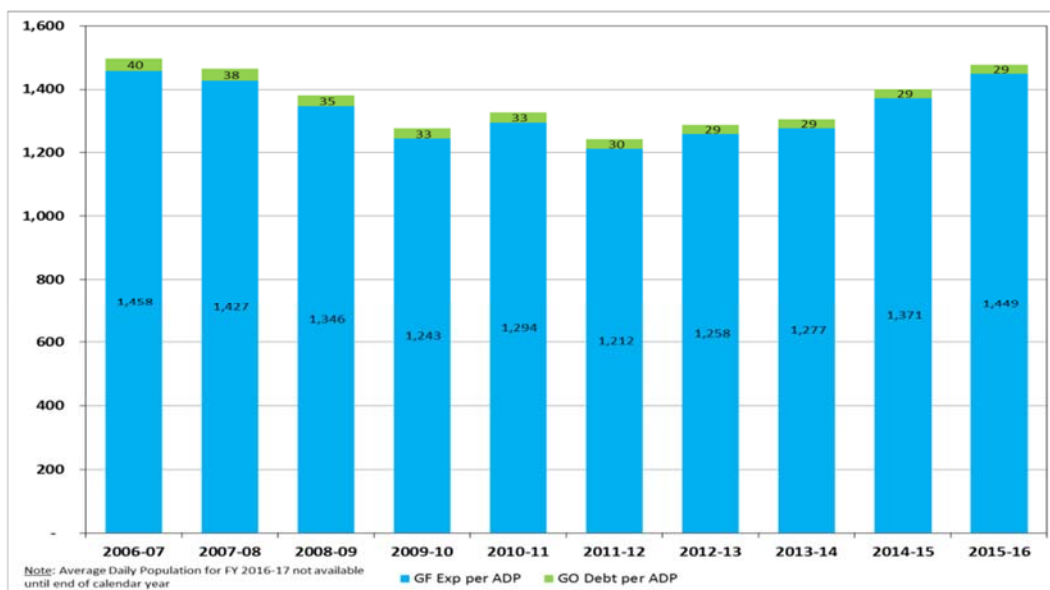
compliance provided to respond to evening entertainment area violations and staffing of special events; other code compliance activities in tourism and visitor related facilities/areas; Tourism and Culture Department and the Cultural Arts Council; museums and theaters (Garden Center, Bass Museum, and Colony Theater); golf courses (net of revenues); Memorial Day and other special event costs; homeless services; July 4th; Visitor Center funding; holiday lights; Jewish Museum; Miami Design Preservation League (MDPL); Orange Bowl; monuments; etc.

The total Proposed Resort Tax Fund transfer to the General Fund for FY 2018/19 is \$35.8 million, which is a \$886,000 (2.5%) increase over the FY 2017/18 transfer of \$34.9 million. The FY 2018/19 transfer includes \$726,000 in increased funding for the Bass Museum, the Colony Theater, and the Byron Carlyle Theater, which all contribute to the City’s cultural landscape.

BUDGET AND POSITION TRENDS

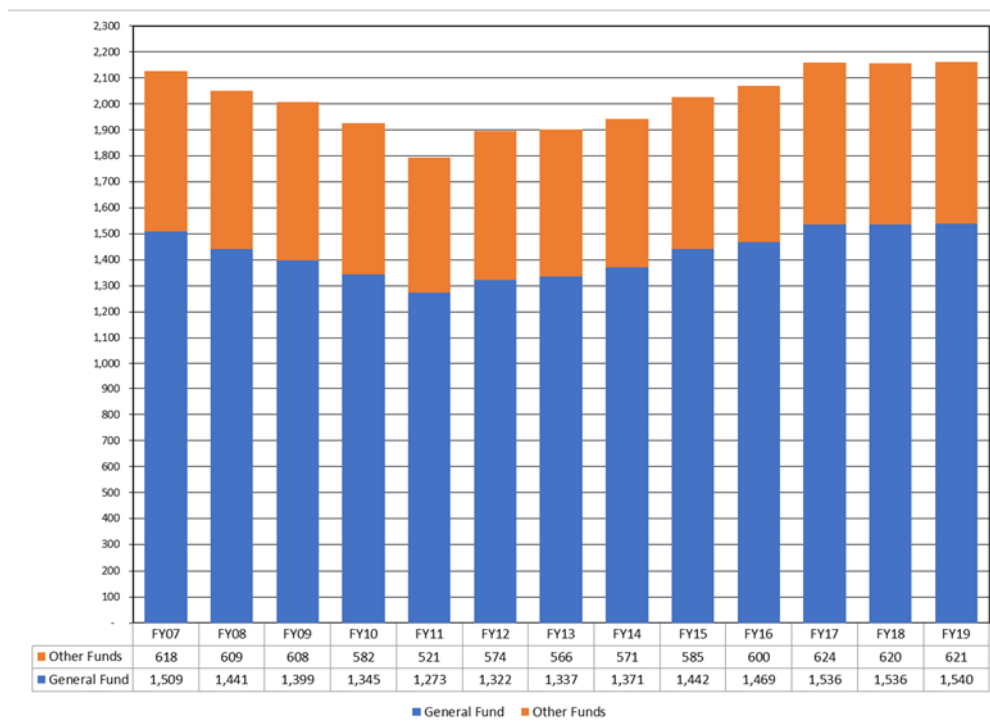
The 2016 Environmental Scan conducted as part of the strategic planning process showed that the average daily population in the city has grown 27.2 percent from 2007 to 2016. Much of this increase consists of additional other tourists (77 percent), seasonal residents (53 percent), hotel guests (40 percent), and non-tourist beach visitors (40 percent). Having over 27 percent more people in the City over the last ten years, without an offsetting increase in budget can result in services becoming degraded over time. The chart below shows the General Fund budget and General Obligation Bond Debt Service budget divided by the average daily population from FY 2007 to FY 2016. The chart shows that the average daily population has grown faster than the budget and that the FY 2016 amount is 1.4 percent below the FY 2007 amount.

General Fund and G.O. Debt by Average Daily Population FY 2006/07 – FY 2015/16



Despite the 27 percent growth in average daily population and tourism, the City’s position count has remained relatively flat over time as shown in the chart below. The overall position count in FY 2018/19 is 5 positions more than last year and 34 positions, or 1.6%, more than in FY 2006/07.

Position Count FY 2006/07 - FY 2018/19



PROPOSED FY 2018/19 ENTERPRISE FUND BUDGETS

Enterprise Funds are comprised of Sanitation, Water and Sewer, Storm Water, Parking, and Convention Center Departments. The FY 2018/19 Enterprise Funds Budget is \$210.0 million. This represents an increase of \$1.0 million, or 0.5%, over the FY 2017/18 budget of \$209.0 million, primarily due to the following:

- Water reflects an overall decrease of \$3.8 million, or 9.8%, primarily due to a decrease of \$4.8 million in debt service expenditures based on the current debt schedule for ongoing infrastructure projects allocated to water utilities improvements. This reduction was offset by increases in personnel, operating, and capital expenditures.
- Sewer reflects an overall increase of \$1.0 million, or 2.0%, primarily due to an increase of \$2.0 million in debt service expenditures based on the current debt schedule for ongoing infrastructure projects allocated to sewer utilities improvements. This increase was offset by decreases in personnel and capital expenditures.
- Parking reflects an overall decrease of \$5.1 million, or 8.7%, primarily due to a \$3.2 million and \$3.1 million reduction in the amount of Parking funds transferred to the General and Transportation Funds respectively. During the development of the FY 2018/19 budget, one major priority was to reduce the burden on the Parking Fund by reducing these transfers. The goal is to continue to reduce these transfers over the coming years, allowing for the Parking Fund to restore its fund balance set aside for future renewal and

replacement projects. The reduction in transfers were offset by increased personnel, other operating, and debt service expenditures.

- Storm Water reflects an overall increase of \$1.1 million, or 3.8%, primarily due to an increase of \$1.4 million in the amount budgeted to be set aside for future renewal and replacement of storm water capital assets, offset by reductions in personnel and debt service expenditures.
- Sanitation reflects an overall increase of \$1.2 million, or 5.5%, due to an increase of \$738,000 (5.8%) in personnel expenditures (primarily due to merit increases and increases in health insurance costs), and an increase of \$322,000 in operating costs, primarily due to an increase in the budgeted cost of janitorial services and residential solid waste disposal.
- Convention Center reflects an overall increase of \$6.7 million, or 52.7%, due to the anticipated re-opening of the facility. The prior year budget was artificially low due to the Convention Center being closed for the majority of the fiscal year. With the renovation and expansion of the Convention Center, the budget reflects a \$6.1 million increase in the contractor's cost, including a \$3.0 million increase in personnel expenditures, and a \$3.3 million increase in operating expenditures. The City's budgeted expenditures increased by \$544,000, primarily due to enhancements which include a one-time \$250,000 enhancement for the Convention Center Community Grand Opening & Gala, a \$360,000 enhancement for the Convention Center Transportation Enhancement Package, and a one-time \$200,000 enhancement for the City of Miami Beach Hall of Fame Digital Display. These enhancements were primarily offset by reductions in the City's personnel and other operating expenditures. The FY 2018/19 Convention Center budget requires the use of \$2.5 million of available fund balance in order to be balanced. With the newly-renovated and expanded Miami Beach Convention Center set to officially re-open in the Fall of 2018, the five-year forecast projects that the Fund will be balanced commencing FY 2019/20.

Proposed Parking Rate Increases

In order to ensure adequate funding for future capital projects and renewal and replacement of existing Parking Department assets, the following parking rate increases were approved by the Committee at the FY 2018/19 Budget Briefings:

- Daily Space Rental Construction: \$224,000
This proposed modification would increase the construction daily space rental fee from \$25/day to \$35/day.
- Entertainment District Meter Hours (Ocean Drive to Washington Avenue and 5th to 15th Street): \$135,000
Currently, metered parking rates within the corridor of Ocean Drive to Washington Avenue and 5th to 15th Street are enforced from 9 am to 3 am. This proposed enhancement would increase the hours that these spaces are metered to 24 hours/day.
- 46th Street & Collins Avenue Parking Lot (P71): \$539,000
Currently, metered parking at the 46th Street & Collins Avenue Municipal Parking Lot

(P71), Monday to Friday, from 8am to 6pm, is \$1/hour, while weekends is a flat rate of \$20 for visitors and \$6 for residents. This proposed enhancement would change the hourly rate to a flat rate of \$20 for visitors and \$6 for residents, 24 hours/day. This enhancement, if approved, would also generate an additional \$149,000 in expenditure savings from a reduction in meter attendant services since revenue collections will be 100% automated.

- Hostel/Bed & Breakfast Residential Zones: \$30,000

Currently, the annual residential parking permit rate is \$54.60. This proposed enhancement would replace the annual residential parking permit rate in the Hostel/Bed and Breakfast Residential Zones with the daily parking permit rate of \$3.00/day.

Proposed Sanitation Fund Rate Increases

At the July 27, 2018 Budget Briefing, the Administration advised the Committee that the FY 2018/19 Sanitation budget reflected a projected shortfall, even after accounting for the \$941,000 increase in funding from the Resort Tax Fund as previously noted. This shortfall is primarily a result of increasing expenditures, which were not offset by rate increases during the economic downturn, as well as the Resort Tax Fund's inability to transfer \$1.9 million to the Sanitation Fund, over and above the \$1.8 million transfer included in the FY 2018/19 budget. In order to reduce the shortfall, the Administration proposed a combination of Sanitation rate increases. The Committee approved the following adjustments:

- Residential Fees

A \$3.62 per month increase in Sanitation Residential Fees, which is a pass through of the recycling fees charged to the City by Miami Dade County. The City has been absorbing this cost since 2008.

- Franchise Fees (Commercial)

A 2% increase in commercial franchise fees from 18% to 20%. This fee was last increased in 2007 and affects solid waste franchisees that provide service to commercial accounts and multi-family units.

- Roll-Off Permit Fees

A 2% increase in commercial franchise fees from 18% to 20%. This fee has not been increased in 10 years and affects solid waste licensees that provide roll-off service to commercial and residential units.

After incorporating the rate increases noted above, the FY 2018/19 Sanitation Fund budget will need to use \$2.5 million in available fund balance to balance the budget. It is important to note that \$1.7 million of Sanitation Fund emergency reserves were expended in FY 2016/17 as a result of Hurricane Irma. It is anticipated that a percentage of these expenditures will be reimbursed by the Federal Emergency Management Agency (FEMA).

PROPOSED FY 2018/19 INTERNAL SERVICE FUND BUDGETS

Internal Service Funds are comprised of Central Services, Fleet Management, Information Technology, Risk Management, Medical and Dental, and Property Management. The FY 2018/19 budgets for Internal Service Funds is \$96.3 million, or 12.0%, more than FY 2017/18.

The 12.0% increase primarily resulted from a 19.0% increase in the Medical Fund budget, which is reflective of increasing health insurance costs due to a high claims experience during FY 2017/18. A portion of the increased cost has been passed on to employees through increased FY 2018/19 premiums. The FY 2018/19 Medical and Dental budget requires the use of \$1.9 million of available fund balance to be balanced. The Administration will continue to monitor the experience within the Fund and adjust benefits and premiums as appropriate.

Another driver of the FY 2018/19 budget increases is a significant increase in the Fleet Management budget. As noted at the May 24th Budget Workshop, due to fiscal constraints, the City has been delaying some vehicle and equipment replacements, and funding purchases with equipment loans versus cash. The FY 2018/19 budget includes a \$1.3 million increase in debt service expenditures towards the purchase of vehicles and equipment purchased in previous years, as well as those projected to be purchased in FY 2018/19. In the short-term, the Administration has proposed allocating approximately \$12.0 million of funds from the fourth RDA amendment over the next four years towards reducing the debt, and the replacement of the City's fleet using cash in lieu of financing. The City has also engaged the services of a consultant, who is assessing Fleet Management's inventory and will present recommendations on right-sizing opportunities.

Internal Service costs are completely allocated to the General Fund and Enterprise Fund departments, as well as Special Revenue Funds. The Risk Management Fund, however, reimburses the General Fund for the cost of legal services provided.

Use of One-Time Revenues for Recurring Expenditures

As previously noted, the City's policy regarding use of one-time revenues states that "the City of Miami Beach will use one-time, non-recurring revenue for capital expenditures or one-time expenditures and not subsidize recurring personnel, operations, and maintenance cost." The Sanitation, Medical and Dental, and the Convention Center Funds each require the use of fund balance for recurring FY 2018/19 operating expenditures.

As a result, it is recommended that the City Commission waive this policy, as adopted by Resolution No. 2006-26341, providing for the one-time use of fund balance for the Sanitation, Medical and Dental, and Convention Center Funds. During the upcoming fiscal year, the Administration will recommend a plan of action to ensure that these funds will move toward being structurally balanced.

PROPOSED FY 2018/19 RESORT TAX FUND BUDGET

The FY 2018/19 Resort Tax budget is \$89.4 million, which is an increase of \$6.2 million or 7 percent from FY 2017/18. This increase reflects the increase in Resort Tax revenues during the current fiscal year. The Administration will continue to monitor these revenues over the upcoming months. The FY 2018/19 budget includes:

- \$35,836,000 provided to the General Fund. This reflects an increase of \$886,000 (2.5%) over the FY 2017/18 transfer of \$34.9 million. These funds are used to support continuing tourism eligible expenditures such as code enforcement, cleanliness, the Park Ranger program, homelessness at Lummus Park, increased support for the Miami Beach Botanical Gardens and the City's cultural facilities, public safety programs such as ocean

rescue, police services on Lincoln Road, Ocean Drive/Lummus Park, Collins Avenue, Washington Avenue, ATV officers, boardwalk security, special traffic enforcement and staffing during high impact periods. Funding also supports code compliance enforcement in the entertainment areas and a portion of the operational costs of the Department of Tourism, Culture and Economic Development, including an increase of \$726,000 transferred to the General Fund to increase the City's management agreements with the Friends of the Bass Museum (\$234,000), the Miami New Drama (\$330,000), and O'Kinema (\$162,000).

- \$3,456,000 million for enhancing City services, inclusive of Goodwill Ambassadors, during high Impact event periods such as Memorial Day, July 4th, Spring Break, and Art Basel. This reflects an increase of \$851,000 over FY 2017/18 funding which is comprised of an additional \$700,000 in funding for police overtime, and \$151,000 for the City's share of the Ocean Drive Tourist Oriented Policing Off-Duty Services pilot program.
- \$2,862,000 million contribution to the Miami Beach Visitor and Convention Authority (VCA) based on the legislated funding formula.
- \$200,000 to continue the local Miami Beach marketing campaign, which is matched with funds from the Greater Miami Convention and Visitors Bureau (GMCVB), the Miami Beach Visitor and Convention Authority (VCA), and the Cultural Arts Council (CAC).
- \$535,000 for enhanced holiday decorations throughout the City's tourism areas.
- \$450,000 contribution to partially offset expenditures for the Miami Beach Air and Sea Show (\$350,000) and International Tennis Federation Tennis Event (\$100,000).
- \$100,000 for Memorial Day weekend cultural activation events.
- \$73,000 contribution for the Miami Beach Gay Pride Parade event. This contribution was previously funded at \$10,000 by the General Fund. During the Budget Briefings, the Committee recommended increasing funding and transferring the expenditure to the Resort Tax fund.
- \$81,000 allocated for professional services to fund special events marketing sponsorships, annual audit services, and consulting fees.
- \$1,000,000 for year five of a fifteen-year annual contribution of \$1 million to Mount Sinai Medical Center to fund the design and construction of a new emergency room facility.
- \$6,651,000 contribution to the Greater Miami Convention and Visitors Bureau (GMCVB) based on a new performance-based contract executed January 2016.
- \$1,812,000 contribution to Sanitation for services provided throughout the entertainment district. This represents a \$941,000 increase over last year. As noted at the Budget Briefings, the Resort Tax Fund was unable to fund \$2.8 million of payments due to the Sanitation Fund for services provided in FY 2017/18. This is the first step toward increasing funding toward the Sanitation Fund.

- \$542,000 to support the initiative to provide better service by adding attendants to the beachfront restrooms in Lummus Park and 21st street on weekends, holidays, and during high impact periods.
- \$500,000 in contingency to fund one-time unforeseen expenditures and \$274,000 for unforeseen expenditures that may occur during high-impact event periods. This combined total represents a \$524,000 increase over the contingency budgeted in FY 2017/18.
- \$14,421,000 for North, Middle, and South Beach Quality of Life (QOL) Capital Projects that enhance Miami Beach’s tourist related areas, plus continued support of transportation initiatives and various arts and cultural programs. Commencing in FY 2018/19, the allocation of the 1% QOL bed tax is proposed to reflect the following contributions: Transportation 60%, North Beach QOL 10%, Middle Beach QOL 10%, South Beach QOL 10%, and Arts 10%.
- \$14,421,000 for debt service associated with the Resort Tax revenue bonds issued in 2015 for the expansion and renovation of the Miami Beach Convention Center.

1% Resort Tax Fund Quality-of-Life Funding Allocations

The current 1% Quality of Life bed tax, as adopted by Resolution No. 2015-28919, is approved to be used as follows: 45% allocated for Transportation initiatives in tourist-related areas; 15% allocated equally among North Beach, Middle Beach and South Beach for capital projects that enhance Miami Beach’s tourist related areas; and 10% allocated to various arts and cultural programs.

As approved by the Committee at the July 13, 2018 Budget Briefing, commencing FY 2018/19, this would be amended to increase the allocation for Transportation initiatives from 45% to 60% and decrease North Beach, Middle Beach, and South Beach capital from 15% to 10% each, which would reduce the Parking Fund’s subsidy to the Transportation Fund. Based on revenues collected as of June 2018, the projected FY 2018/19 1% Resort Tax contribution for transportation initiatives would increase by approximately by \$2.2 million thereby reducing the Parking Fund subsidy to the Transportation Fund by the same amount.

FY 19 PROJECTED (CURRENT)			FY 19 PROJECTED (PROPOSED)			Prop vs Curr. 1% Allocation
1% Quality of Life (QOL) Revenue Allocation			1% Quality of Life (QOL) Revenue Allocation			
Transportation	45%	6,490,000	Transportation	60%	8,653,000	2,163,000
NB - QOL	15%	2,163,000	NB - QOL	10%	1,442,000	(721,000)
MB - QOL	15%	2,163,000	MB - QOL	10%	1,442,000	(721,000)
SB - QOL	15%	2,163,000	SB - QOL	10%	1,442,000	(721,000)
Arts	10%	1,442,000	Arts	10%	1,442,000	0
Total	100%	14,421,000	Total	100%	14,421,000	0

CONCLUSION

In summary, the proposed millage rate of 5.8888 mills remains the same as last year and is the lowest millage rate in the history of the City of Miami Beach. The FY 2018/19 budget includes service level enhancements that address high priority needs of the City as identified through the Commission Budget Retreat and four Budget Briefings. The Administration recommends adoption

Adopt Tentative Budgets for FY 2018/19

September 12, 2018

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of the attached Resolution which establishes the tentative budgets for General, G.O. Debt Service, RDA Ad Valorem Taxes, Enterprise, and Internal Service, and Special Revenue Funds for FY 2018/19.

Attachment A – FY 2018/19 Recommended Expenditure Reductions/Efficiencies

Attachment B – FY 2018/19 Recommended Revenue Enhancements

Attachment C – FY 2018/19 Recommended Expenditure Enhancements

Attachment D – FY 2018/19 Recommended Revenue Reductions

JLM/JW/TOS