



City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, [www.miamibeachfl.gov](http://www.miamibeachfl.gov)

## COMMISSION MEMORANDUM

TO: Mayor Philip Levine and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: September 27, 2016

SUBJECT: **A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ADOPTING THE FINAL BUDGETS FOR THE GENERAL, G.O. DEBT SERVICE, RDA AD VALOREM TAXES, ENTERPRISE, INTERNAL SERVICE, AND SPECIAL REVENUE FUNDS FOR FISCAL YEAR 2016/17.**

### **ADMINISTRATION RECOMMENDATION**

The Administration recommends that the City Commission adopt the attached Resolution which establishes final budgets for the General, G.O. Debt Service, RDA Ad Valorem Taxes, Enterprise, Internal Service, and Special Revenue Funds for Fiscal Year (FY) 2016/17.

### **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 final millage rate for both the general operating and debt service is adopted, then immediately thereafter, the final budgets by fund are adopted. The attached Resolution adopting the final budgets for the General, G.O. Debt Service, RDA Ad Valorem Taxes, Enterprise, Internal Service, and Special Revenue Funds for FY 2016/17 is therefore presented to you at this time for adoption.

Additional details are contained in my Budget Message (Attachment A), however, highlights of that document are outlined below.

### **GENERAL FUND CURRENT SERVICE LEVEL BUDGET DEVELOPMENT**

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 Taxes contribute funding for tourist-related activities provided by General Fund departments.

The first step in preparing the FY 2016/17 budget was an evaluation of Current Service Level (CSL) revenues and expenditures. CSL revenues represent the amount of

revenues that would be generated based on existing tax rate, fees and charges. CSL expenditures represent the expenditures associated with providing the same level of service next year as in the current budget year.

At the Strategic Planning Retreat on May 12<sup>th</sup>, 2016, the Commission was briefed regarding the preliminary General Fund Current Service Level (CSL) budget. The CSL 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.

Property taxes comprise approximately half of the total General Fund revenue and are a key driver of CSL revenues. The Property Appraiser provided the preliminary 2016 property values on June 1, 2016. The Commission was briefed regarding the updated CSL budget at the June 6<sup>th</sup> Finance & Citywide Projects Committee. The preliminary Current Service Level (CSL) based on June 1<sup>st</sup> property values projected a revenue increase of \$17.8 million and an expenditure increase of \$13.5 million for a net surplus of \$4.3 million. CSL expenditures have increased by \$13.5 million since the adoption of the FY2015/16 Operating Budget primarily due to the following:

- Property taxes comprise approximately half of the total General Fund revenue and are a key driver of CSL revenues. The Property Appraiser provided the preliminary 2016 property values on June 1<sup>st</sup>, 2016. The Commission was briefed regarding the updated CSL budget at the June 6<sup>th</sup> Finance & Citywide Projects Committee. The 2016 Preliminary Taxable Values increased 13.5% compared to the 2015 Preliminary Taxable Values, which would result in an increase of approximately \$17.8 million in General Fund property tax revenues.
- CSL revenues were estimated to increase \$17.8 million due to an \$14.6 million increase in property tax revenues (assuming the operating millage rate remained equivalent to FY 2015/16), a \$2.6 million increase in non-property tax revenues including an increase in the Resort Tax contribution of \$1.7 million for items added in mid-year and annualized items from FY 2014/15, and a decrease in prior-year set-aside (one-time revenue) of \$1.6 million. These figures do not assume additional contributions from the Resort Tax or Parking Funds.
- CSL expenditures have increased by \$13.5 million since the adoption of the FY2015/16 Operating Budget primarily due to the following:
  - 0-2 percent merit pay: \$2.2 million
  - 1 percent COLA in April 2016 and 3 percent COLA in July 2017: \$2.5 million
  - Increase in citywide Health and Life Insurance of \$706,000
  - Increase in the Police Department over-time expenses of \$1.7 million, an increase in Police allowances (hazard duty pay) due to Union negotiations of \$921,000, and an additional \$160,000 for uniforms
  - Increase in Fire allowances (hazard duty pay, uniforms) due to Union negotiations of \$1 million
  - \$253,000 for the Voluntary Pre-Kindergarten program
  - \$200,000 for the Mobility Fee Study
  - \$190,000 for the '2066 Miami Beach Rising Above and Time Capsule' project

- Increase in Information Technology of \$240,000 due to one-time Terremark charge
- Annualized costs for items added during FY 2015/16 such as \$760,000 for the Customer Service Center, \$534,000 for the adjustment of the PC replacement cycle from 5 to 3 years (year 2 of 2), \$238,000 for a new contract for the Building Department Inspectors and Plan Examiners, and \$112,000 for an increase in Special Master rates
- Annualized costs for items added mid-year including \$526,000 for four traffic flow specialists, 2 analysts and 1 supervisor to support the Traffic Management Initiative, \$60,000 for towing and relocation of derelict vessels, and \$25,000 for the Miami Dade Transit Corporate program.

The preliminary Current Service Level (CSL) based on June 1<sup>st</sup> property values projected a revenue increase of \$17.8 million and an expenditure increase of \$13.5 million for a net surplus of \$4.3 million. On July 1<sup>st</sup>, we received the certified property assessment value of \$34.7 billion, which is the property assessment value used for budget purposes. On July 13<sup>th</sup>, the Commission sent the ceiling for the millage rate of 5.8888 which is estimated to generate \$160.8 million in property tax revenues. The final millage rate of 5.8888, which represents a decrease of 0.0235 from FY 2015/16, is to our knowledge, the lowest in the history of the City of Miami Beach, and certainly in the last 54 years for which we have found records.

## APPROACHES TO BALANCE

At the July 22<sup>nd</sup> Finance and Citywide Projects Committee meeting, direction was given regarding the proposed Millage Rate, enhancements and efficiencies for the Operating Budget, and changes to the Capital Budget.

The July 1<sup>st</sup> certified taxable values of \$34.7 billion were 0.8 percent higher than the June 1<sup>st</sup> preliminary taxable values of \$34.4 billion. As noted in the table below, the June 1<sup>st</sup> preliminary Property Tax Revenue projections assumed the City Center CRA would grow 10 percent from 2015. The City Center CRA growth rate calculated based on July 1<sup>st</sup> certified property resulted in a 16.4 percent increase compared to 2015, thereby reducing the Citywide Total by a greater percentage than estimated. As a result, the Property Tax Revenues projections were reduced by \$177,000 for the General Fund.

	June 1st Preliminary	July 1st Certified
Property Assessment		
Existing Values	33,282,000,000	33,532,510,312
New Construction	1,156,000,000	1,165,246,796
Total	34,438,000,000	34,697,757,108
City Center CRA	5,305,000,000	5,612,744,843
Citywide Total	29,133,000,000	29,085,012,265
Property Tax Revenue Projection	160,956,000	160,779,000
Property Tax Revenue Projection Variance		(177,000)

## Efficiencies and Reductions

City departments continue to be proactive in identifying additional efficiencies to their current service level programs and services. As with the preparation of budgets for the

last nine years, departments are continuing to analyze their budget from two perspectives: 1) reviewing for potential efficiencies, reorganizations to reduce cost, etc., without adversely impacting services; and 2) performing a modified zero-based analysis of each department budget, identifying potential service reduction alternatives versus core functions. As part of the FY 2016/17 budget process, the City Manager requested that departments submit lists of potential reductions/efficiencies totaling 3 percent of their FY 2015/16 budgets. The lists were reviewed extensively by the City Manager, Executive Team, Department Directors, and the Budget Office. At their July 6<sup>th</sup> meeting, the Finance & Citywide Projects Committee accepted the recommended reductions/efficiencies with the addition of reducing overtime in the Parks and Recreation department. The list of recommended reductions/efficiencies can be found in Attachment B. The updated savings from the recommended reductions/efficiencies in the General Fund totals \$1,108,000 of which the majority will result in minimal service impacts.

### **Service Enhancements**

The proposed enhancements found in Attachment C reflect service enhancements to increase public safety and cleanliness, educational and health initiatives for the city. An outline of recommended enhancements is listed below:

#### General Fund

- \$1,371,000 to create a new response unit within the Fire Department for the purpose of staffing an additional Rescue Unit at Fire Station 4 which includes staffing for the Fire Boat.
- \$54,000 to expand the Miami Beach Nurse Enhancement Initiative to extend behavioral health services to Fienberg Fisher K-8 Center, South Pointe Elementary, Nautilus Middle School, Biscayne Elementary, and Miami Beach Senior High School.
- \$100,000 to provide venue, entertainment, food and decorations to replace the Convention Center site while the Center undergoes renovation to host the four citywide senior events.
- \$95,000 to increase the current level of bathroom service around the UNIDAD Senior Center area.
- \$80,000 to increase the current level of service of inclusionary aides for the summer camps.
- \$212,000 for three police officers to enhance services to the 41<sup>st</sup> Street Corridor and boardwalk coverage.
- \$143,000 for two police officers to meet the growing and changing needs of the North Beach community.
- \$45,000 to provide oversight and supervision for the City's School Resource Officer Program.

Special Revenue Funds

- \$141,000 to sustain the Voluntary Pre-Kindergarten program funded via the Education Compact Fund.
- \$13,000 to expand dual enrollment options at Nautilus Middle School and Miami Beach Senior High School, through a partnership with City of Miami Beach, Miami-Dade College and Miami-Dade County Public Schools funded via the Education Compact Fund.
- \$120,000 for three Ciclovía events in FY 2016/17.

Resort Tax

- \$255,000 for Code Compliance to add three additional positions for the purpose of coordinating, supervising and oversight of a Short-term Rental Investigation Team to increase proactive enforcement and investigation of illegal Short-Term Rentals
- \$1,093,000 for the new Entertainment District within the Police Department which includes 12 new police officers and 24/7 coverage within the entertainment area which includes Ocean Drive, Washington Avenue, Collins Avenue and any adjacent areas as required. This unit will also have dedicated homeless outreach responsibilities.
- Funding for Special Events such as the World Out Games (\$150,000), the Major League Baseball All-Star Game (\$100,000), and the North Beach Tennis Event (\$50,000), and the Miami Beach Air & Sea Show (\$650,000) will be funded from the projected FY 2015/16 year end surplus in Resort Tax.

At the July 22<sup>nd</sup> Finance and Citywide Projects Committee meeting, the following two changes were made to the list of proposed additions and service enhancements:

General Fund

- Added \$3 million set-aside to off-set estimated \$6 million Pension Mortality Payment in Fiscal Year 2017/18.
- Removed \$74,000 for an Energy Analyst in the Environmental & Sustainability Department.
- Added \$135,000 for the Department of Emergency Management to insure monthly, quarterly and yearly maintenance, testing and certifications of all City of Miami Beach storage tank sites and remain in compliance with DERM and the Miami Dade Regulatory and Environmental Resource Division.
- Added \$60,000 for the Office of Housing and Community Services to provide short-term employment for homeless persons placed in shelter as a transition to seeking permanent, independent employment.

- Added \$509,000 for the Department of Parks and Recreation for six full-time and two part-time Park Rangers at Lummus Park.
- Added \$50,000 for the Planning Department to create a new Office Associate III position in the Office of the Clerk of the Boards division for the purpose of scanning, indexing and archiving all Land Use, Historic Preservation & Zoning Map documents/information which are used to update the Historic Preservation webpage, and to assist in creating a Phone-App.
- Added \$187,000 for the Publics Works Department for two Greenspace Management Tree Trimmers and one bucket truck for Right-Of-Way Tree Maintenance throughout the City of Miami Beach. This was previously estimated to cost \$200,000.

#### Internal Service Fund

- Added \$70,000 for the Office of Information and Technology to connect to the NAP building in downtown Miami. A cut in this single path, as took place on April 30<sup>th</sup>, 2016, leaves the City totally disconnected from its servers at the NAP. The funds in this enhancement are to procure a physically diversified route to the NAP. Furthermore, diversifying vendors will ensure that if an issue were to affect AT&T and their ability to provide the network path, the city would still be able to reach the NAP as this path would belong to a vendor totally independent of AT&T.

#### Enterprise Fund

- Added \$48,000 for the Parking Department to create a new position within the Parking Department for the reception area which is currently serviced by temporary employees. This would reduce temporary labor costs in the department by \$40,000.

#### Resort Tax

- Added \$67,000 of one-time expenses for ATVs to support the Police enhancements approved by the Committee to be funded from the projected FY 2015/16 year end surplus in Resort Tax.

After the July 22<sup>nd</sup> Finance Committee meeting, an enhancement was added for the Procurement Department in the amount of \$45,000 to purchase software that provides support for the compliance efforts related to the local hire ordinance, in lieu of additional staffing.

#### **FY 2016/17 Proposed Budget**

Non-Property Tax Revenues have been adjusted to reflect a lower transfer from the Parking Operations Fund and were further refined based on FY 2015/16 third quarter performance. The City has been decreasing the amount of transfer of prior year Parking Operations surplus Funds to the General Fund over time to allow funding for parking garages and other parking initiatives. In FY 2015/16, the transfer was budgeted at \$8.4 million. In FY 2016/17, the recommended transfer is \$6.4 million and in FY 2017/18, the recommended transfer is \$2 million. The net result of these changes including the

proposed efficiencies and enhancements approved by the Committee on July 22<sup>nd</sup> results in a balanced budget, as shown below.

FY17 Proposed General Fund Budget	
Property Tax Revenues	160,779,000
Non-property Tax Revenues	156,473,000
<b>Total Revenues</b>	<b>317,252,000</b>
Operating Budget	308,176,000
FY18 Pension Mortality Payment Set-Aside	3,000,000
Proposed Efficiencies approved by Commission	(1,036,000)
Proposed Enhancements approved by Commission	3,655,000
Capital Funded by General Fund	3,457,000
<b>Total Revenues</b>	<b>317,252,000</b>
<b>Unallocated Surplus/(Deficit)</b>	<b>-</b>

At the September 14<sup>th</sup> First Public Hearing, additional information was requested for the following enhancement requests, which are reflected in Attachment C:

- Bass Museum: The budget includes one-time funding for the enhancement request totaling \$400,000; \$150,000 will be funded by the FY2015/16 Year-End Resort Tax projected surplus and \$250,000 will be funded through the Cultural Arts Council endowment fund.
- Funding for the World OutGames will be split between the Miami Beach Visitor and Convention Authority and projected FY2015/16 surplus in Resort Tax in FY 2016/17 for a total of \$300,000.

Staff is proposing two options to pursue the broader goal of serving North Beach elder residents with meal services, listed below:

- Option 1: Little Havana Activities & Nutrition Stella Maris Senior Center meal distribution through from October 1, 2016 through June 30, 2017 at a total cost of \$50,000 (\$5.90 per meal served). This option serves 40 congregate meals for 185 days and would be funded from Citywide Contingency.
- Option 2: Establishing a boxed meal program with two delivery points: Stella Maris and the Unidad Senior Center. This would allow the 40 individuals at Stella Maris in addition to 60 elderly individuals at the Unidad Senior Center to benefit from the program for 185 days in comparison to the currently funded 40 beneficiaries. This would cost a total of \$92,500 (an estimated \$5 per boxed meal) and would be funded from Citywide Contingency. The City could immediately initiate this service with a bid waiver, and then bid the service for a permanent solution.

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

Based on an outside consultant study conducted in 2010 using FY 2007/08 actual costs, it is estimated that there are approximately \$50.5 million in eligible resort tax expenditures in the General Fund. However, \$8.8 million of these costs were estimated as being addressed by dedicated funding pursuant to the Miami-Dade County

Convention Development Tax interlocal agreement, thereby resulting in approximately \$41.7 million in eligible Resort Tax expenses in the General Fund.

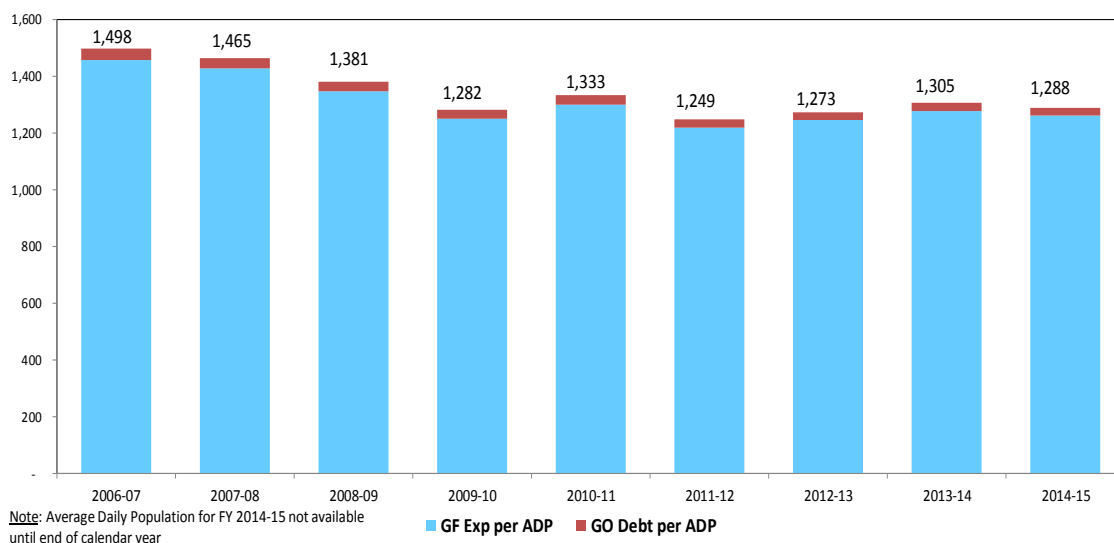
These include expenses associated with police officers serving entertainment areas; a portion of fire rescue services from Fire Stations 1 & 2; ocean rescue services; enhanced code compliance provided to respond to evening entertainment area violations and staffing of special events; other code compliance 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 4<sup>th</sup>; 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 2016/17 is approximately \$37.6 million.

### Environmental Scan

The 2016 Environmental Scan conducted as part of the strategic planning process showed that the average daily population in the city has grown 40.9 percent from 2005 to 2015. Much of this increase consists of additional tourists (157 percent), day trippers (85 percent), and seasonal residents (60 percent). Having 40.9 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 2007 to 2015. The following chart shows that the average daily population has grown faster than the budget and that the FY 2014/15 amount is 14 percent below the FY 2006/07 amount.

**General Fund and G.O. Debt Budget by Average Daily Population 2007 – 2015**



### **FINAL FY 2016/17 ENTERPRISE FUND BUDGETS**

Enterprise Funds are comprised of Sanitation, Water, Sewer, Stormwater, Parking, and Convention Center Departments. The FY 2016/17 Enterprise Funds Budget is \$209.3 million. This represents a decrease of \$2.8 million (1 percent) from the FY 2015/16 budget of \$212.1 million, primarily due to:

- A significant reduction (\$16.7 million) in the Parking budget due to lower than anticipated revenue collections in FY 2015/16. This may be as a result of increases in parking rates which took effect in FY 2015/16, as well as the growing popularity of a variety of ride sharing companies operating in the City.
- Sewer reflects an increase in expenditures of \$7.1 million, primarily due to increased sewer treatment costs and DERM fees. The budget also includes a proposed rate increase, which would generate \$5.7 million in additional revenues.
- Stormwater reflects an increase in expenditures of \$7.3 million, primarily due to a \$6 million increase in debt service costs, as a result of the FY2017 stormwater bond.

### **FINAL FY 2016/17 INTERNAL SERVICE FUND BUDGETS**

Internal Service Funds are comprised of the Central Services, Fleet Management, Information Technology, Risk Management, Medical & Dental and Property Management Divisions. The FY 2016/17 Internal Service Fund budget is \$83.9 million, or 4.4%, more than FY 2015/16. Internal Service costs are completely allocated to the General Fund and Enterprise Fund departments, Special Revenue Funds, and the Risk Management Fund reimburses the General Fund for the cost of legal services.

### **FINAL FY 2016/17 RESORT TAX FUND BUDGET**

The FY 2016/17 Resort Tax budget is \$86.7 million, an increase of \$8.0 million or 10.3 percent from FY 2015/16. This increase reflects the continued increase in resort tax revenues and the implementation of an additional 1 percent resort tax to pay for the Convention Center Renovation project. Highlights are listed below:

- New enhancement of \$255,000 for Code Compliance to add three additional positions for the purpose of coordinating, supervising and oversight of a Short-term Rental Investigation Team to increase proactive enforcement and investigation of illegal Short-Term Rentals.
- New enhancement of \$1,093,000 for Police to create an Entertainment District Unit that will deploy 12 officers for 24 hour/7 day week coverage to enhance and proactively address issues unique to the entertainment district and will also have dedicated homeless outreach responsibilities. Officers will be deployed in areas

of focus to include; Ocean Drive, Washington Avenue, Collins Avenue, and any adjacent areas as required.

- \$37,609,000 (a \$1 million increase) is provided to the General Fund to support new and continuing tourism eligible expenditures such as more proactive code enforcement, cleanliness index, park ranger program, homelessness at Lummus Park, hurricane and disaster preparation equipment, increased support for the Miami Beach Botanical Garden 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 special event staffing; and fire rescue units in tourist and visitor areas. The funding also supports code compliance services to respond to evening entertainment areas and provides for a portion of the operational costs of the Tourism and Cultural Development.
- Includes \$2.8 million for enhancing the outcomes from major events such as Memorial Day, including management and Goodwill Ambassadors.
- The contribution to the Miami Beach Visitor and Convention Authority will increase from \$2.6 million to \$2.8 million based on the legislated funding formula.
- Maintains \$350,000 is provided to continue the local Miami Beach marketing campaign, to be matched with funds from the Greater Miami Convention and Visitors Bureau, the Miami Beach Visitor and Convention Authority, and the Cultural Arts Council.
- Maintains \$300,000 for enhanced holiday decorations in the tourism areas.
- \$200,000 contribution to help offset expenses of the Miami Beach Bowl or equivalent event.
- Maintains \$100,000 for the 4<sup>th</sup> of July event.
- The third year of a 15 year annual contribution of \$1 million to Mount Sinai Medical Center to fund the design and construction of a new Emergency Room facility.
- The contribution to the Greater Miami Convention and Visitors Bureau (GMCVB) increased from \$5.4 million to \$6.5 based on a new performance-based contract.
- Increased the transfer to Sanitation from \$542,000 to \$4,213,000 (a \$3.7 million increase) which was previously funded through the former South Pointe RDA.
- Includes the estimated debt costs of \$13 million associated with the Resort Tax revenue bonds for the redevelopment of the Miami Beach Convention Center.

**CONCLUSION**

The Final FY 2016/17 Budget includes service level enhancements that address high priority needs of the City. The Administration recommends adoption of the attached Resolution which establishes the final budgets for General, G.O. Debt Service, RDA Ad Valorem Taxes, Enterprise, and Internal Service, and Special Revenue Funds for FY 2016/17.

Attachment A – City Manager’s FY 2016/17 Budget Message

Attachment B – FY 2016/17 Efficiencies

Attachment C – FY 2016/17 Enhancements

JLM/CGR