

***I
T
E
M***

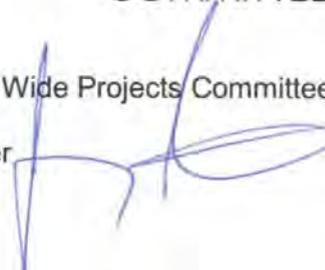
***O
N
E***



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

COMMITTEE MEMORANDUM

TO: Members of the Finance & City Wide Projects Committee

FROM: Jimmy L. Morales, City Manager 

DATE: June 3, 2015

SUBJECT: FY 2015/16 GENERAL FUND CURRENT SERVICE LEVEL BUDGET UPDATE AND PROPOSED MILLAGE RATE

The preliminary CSL based on June 1st property values has a revenue increase of \$16.1 million and an expenditure increase of \$12.5 million for a net surplus of \$3.6 million. The CSL will be updated again following the distribution of the certified taxable values by the Property Appraiser on July 1st.

The remaining millage rate reduction necessary to reach the goal is 0.1114. Due to the 12.0 percent increase in preliminary property values for FY 2015/16, the debt service millage rate can be reduced by 0.0240 mills. This reduction is included in the \$3.6 million net surplus calculation. The remaining millage reduction to goal, net of the 0.0240 reduction in the debt service rate, is 0.0874. To meet the full goal, the reduction to the \$3.6 million surplus would be \$2.1 million, leaving a surplus of \$1.5 million. To meet half of the remaining goal, the \$3.6 million surplus would be reduced \$1.1 million, leaving a surplus of \$2.5 million.

At the July 29th Commission meeting, the Commission will set the proposed millage rate for the FY 2015/16 budget process per the State's Truth-in-Millage (TRIM) requirements.

GENERAL FUND CURRENT SERVICE LEVEL BUDGET UPDATE

At the strategic planning retreat on May 29, 2015, 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 46% of the total General Fund revenue and are a key driver of CSL revenues. The Property Appraiser provided the preliminary 2015 property values on June 1, 2015. The preliminary 2015 property values increased 12.0%, which resulted in an increase of \$14.6 million in General Fund property tax revenues.

CSL revenues were estimated to increase \$16.1 million due to an \$14.6 million increase in property tax revenues (assumed keeping the operating millage rate the same), 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 were estimated to increase \$12.5 million due to the following:

- Higher pension contributions of \$2.8 million as both pension boards voted to lower the investment rate assumption
- 0-2% merit pay: \$2.2 million
- Spike in leave payouts from retirements, DROP, and separations from the city: \$1.2 million
- Annualized costs for items added during FY 2014/15 such as \$1.64 million for the new landscaping contract, \$534,000 for PC replacement from 5 to 3 years, \$332,000 for body camera maintenance, and \$249,000 for Energov permitting software maintenance.
- Annualized costs for items added mid-year including \$802,000 for staffing of 6 new lifeguard stands, \$285,000 for enhanced tuition reimbursement program, \$283,000 for pre-employment background checks, \$276,000 for license plate reader on MacArthur Causeway, \$204,000 for additional windstorm insurance, \$128,000 for security guards on 4th floor of City Hall and at Housing & Community Services, and \$105,000 for Executive Services Program.
- Other miscellaneous cost increases to CSL include \$210,000 for higher general liability legal fees and workers comp legal fees based on trend, \$160,000 for outside legal counsel for labor negotiations and Watson Island, \$157,000 for actuary and pension attorney for labor negotiations, and \$154,000 for electricity for new streetlights (21% increase in inventory) and irrigation costs from recently completed capital projects.
- These expenditure figures do not assume additional savings from potential efficiencies or reductions.

The preliminary CSL based on June 1st property values has a revenue increase of \$16.1 million and an expenditure increase of \$12.5 million for a net surplus of \$3.6 million. The CSL will be updated again following the distribution of the certified taxable values by the Property Appraiser on July 1st.

PROPOSED GENERAL FUND MILLAGE RATE

There are two main components to the City's General Fund combined millage rate, the operating millage rate and the voted debt service millage rate. The operating millage rate funds operating costs in the General Fund and the debt service millage rate funds debt service for previously issued general obligation bonds. In FY 2015/16, the debt service payment is \$5.9 million which requires the levy of a voted debt service millage rate of 0.2055. The proposed rate is 0.0240 mills less than in FY 2014/15.

In FY 2010/11, the City addressed a significant pension plan deficit by increasing the combined millage rate from 5.9123 to 6.5025. The goal of the Commission has been to return the millage rate to 5.9123 over time as property values rise. Millage rate reductions have been made each year since FY 2010/11 which represents 81 percent of the goal.

The remaining millage rate reduction necessary to reach the goal is 0.1114. Due to the 12.0 percent increase in preliminary property values for FY 2015/16, the debt service millage rate can be reduced by 0.0240 mills. This reduction is included in the \$3.6 million net surplus calculation. The remaining millage reduction to goal, net of the 0.0240 reduction in the debt

service rate, is 0.0874. To meet the full goal, the reduction to the \$3.6 million surplus would be \$2.1 million, leaving a surplus of \$1.5 million. To meet half of the remaining goal, the \$3.6 million surplus would be reduced \$1.1 million to \$2.5 million.

At the July 29th Commission meeting, the Commission will set the proposed millage rate for the FY 2015/16 budget process per the State'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 process until the final millage rates are adopted by the Commission at the second public hearing on September 30th.

CONCLUSION

The preliminary CSL based on June 1st property values has a revenue increase of \$16.1 million and an expenditure increase of \$12.5 million for a net surplus of \$3.6 million. The CSL will be updated again following the distribution of the certified taxable values by the Property Appraiser on July 1st.

At the July 29th Commission meeting, the Commission will set the proposed millage rate for the FY 2015/16 budget process per the State's Truth-in-Millage (TRIM) requirements.

JLM/JW





FY 2015/16 General Fund
CSL Update and
Proposed Millage Rate



June 3, 2015



FY 2015/16 CSL BUDGET

- The Current Service Level (CSL) budget represents the cost of providing the same level of service as in the prior fiscal year
- CSL provides the baseline of funding for the upcoming budget process

FY 2015/16 GENERAL FUND CSL BUDGET

Commission Retreat on May 29th

- **CSL expenditures**

- CSL expenditures are estimated to increase \$12.1 million or 4.3 percent

- **CSL revenues**

- At the current millage rate, property values would need to increase 8.7 percent to balance CSL
 - Need property tax revenue increase of \$10.7 million
 - Last year property values increased 10.3 percent
 - Does not assume additional contributions from Resort Tax or Parking
 - Does not assume any efficiencies

FY 2015/16 PROPERTY VALUES

- The Property Appraiser provides preliminary 2015 property values on June 1st and certified values on July 1st
- Preliminary property values: 12.0 percent increase
 - Normandy Shores: 13.1 percent
 - Miami-Dade County: 8.6 percent
 - Miami-Dade School Board: 10.6 percent

FY 2015/16 PRELIMINARY CSL

- Preliminary CSL based on June 1st property values
 - Revenue increase of \$16.1 million
 - Expenditure increase of \$12.5 million
 - Net surplus of \$3.6 million
- Includes debt service rate reduction of 0.0240 mills
- CSL will be updated again after distribution of the certified property values by the Property Appraiser on July 1st
 - CSL revenues do not include potential increased contributions from Resort Taxes or Parking Fund
 - CSL revenues will be updated with certified property values in July and refinements in other revenues
 - CSL expenditures do not include any potential efficiencies or reductions

MILLAGE RATE GOAL

- Proposed Goal: Reduce combined millage rate to 5.9123 as property values rise
- Millage reductions to date represent 81 percent of the goal
 - Total millage decrease to date is 0.4788; 0.1114 remains
- Due to increase in property values, debt service rate can be reduced 0.0240 mills
- Remaining millage reduction goal of 0.0874
 - \$3.6M surplus would be reduced by \$2.1M to \$1.5M
 - 50% of goal: \$3.6M surplus would be reduced by \$1.1M to \$2.5M

TRIM PROCESS

- In 1980, the Legislature passed the “Truth-in-Millage (TRIM) act
- Law designed to inform taxpayers which governmental entity is responsible for taxes levied
- TRIM establishes the statutory requirements that all taxing authorities must follow
- Process is very detailed and time specific

TRIM PROCESS TIMELINES

- July 29th: Commission adopts proposed millage rate
- August 4th: City Manager certifies the proposed millage rates to the Property Appraiser
 - After this date, millage rates may remain the same or can be decreased, but cannot be increased
- August 24th: TRIM notices mailed by Property Appraiser
- Two public hearings
 - Sept. 10th: Commission adopts *tentative* millage rates and budgets
 - Sept. 30th: Commission adopts *final* millage rates and budgets

QUESTIONS

