



TOWN OF MIAMI LAKES MEMORANDUM

To: Honorable Mayor and Town Council

From: Alex Rey, Town Manager

Subject: FY 2016-17 Proposed Millage, Budget Hearing Dates and General Fund Budget

Date: July 26, 2016

Recommendation

It is recommended that Town Council approve a preliminary millage rate for Fiscal Year 2016-17 at 2.3518 mills, which is \$2.3518 per \$1,000 of assessed property value. This is the same millage rate as adopted for the current year and one of the lowest millage rates in Miami-Dade County. The proposed millage rate is expected to yield \$6,278,000 in ad valorem revenue at 95% of value based on the July 1, 2016 estimated Property Tax Roll, as provided by Miami-Dade County Property Appraiser.

The proposed resolution also sets the budget hearing dates. Pursuant to State law, we cannot conflict with the budget hearing dates for Miami-Dade County School Board (July 27th and September 7th) and Miami-Dade County (September 8th and September 22nd). Therefore, we recommend holding the Town's Budget Hearings on **Tuesday, September 6th at 5:01pm and Tuesday, September 20th, 2016 at 6:00 pm**. In addition to the publically noticed Budget Workshop held on July 11, 2016 a second public workshop is scheduled for August 15, 2016.

Background

Over the last two years, that Town has invested in new community facilities, stormwater infrastructure improvements, enhanced communication and transparency, Police resources to reduce traffic at troubled spots, beautification projects and improved response times to requests for service through new technologies and process improvement.

In November, 2015 the Town adopted a 2025 Strategic Plan that outlines six goal areas including enhanced mobility, beautification, economic development, sustainability, communication and innovation/technology. Each goal area is supported by a handful of Objectives as adopted by the Town Council. Staff has developed specific Initiatives with

supporting work plans to accomplish the Goals and Objectives provided for in the 2025 Strategic Plan. At the workshop on July 11, 2016, staff outlined several components of the plan that will require funding from the general fund. We recently released the annual update on the implementation of the Plan; with the Town's number one priority, Mobility, being funded by Special Revenues and the Mobility Fee (adopted in 2016). Beautification and communication initiatives are primarily funded by the General Fund.

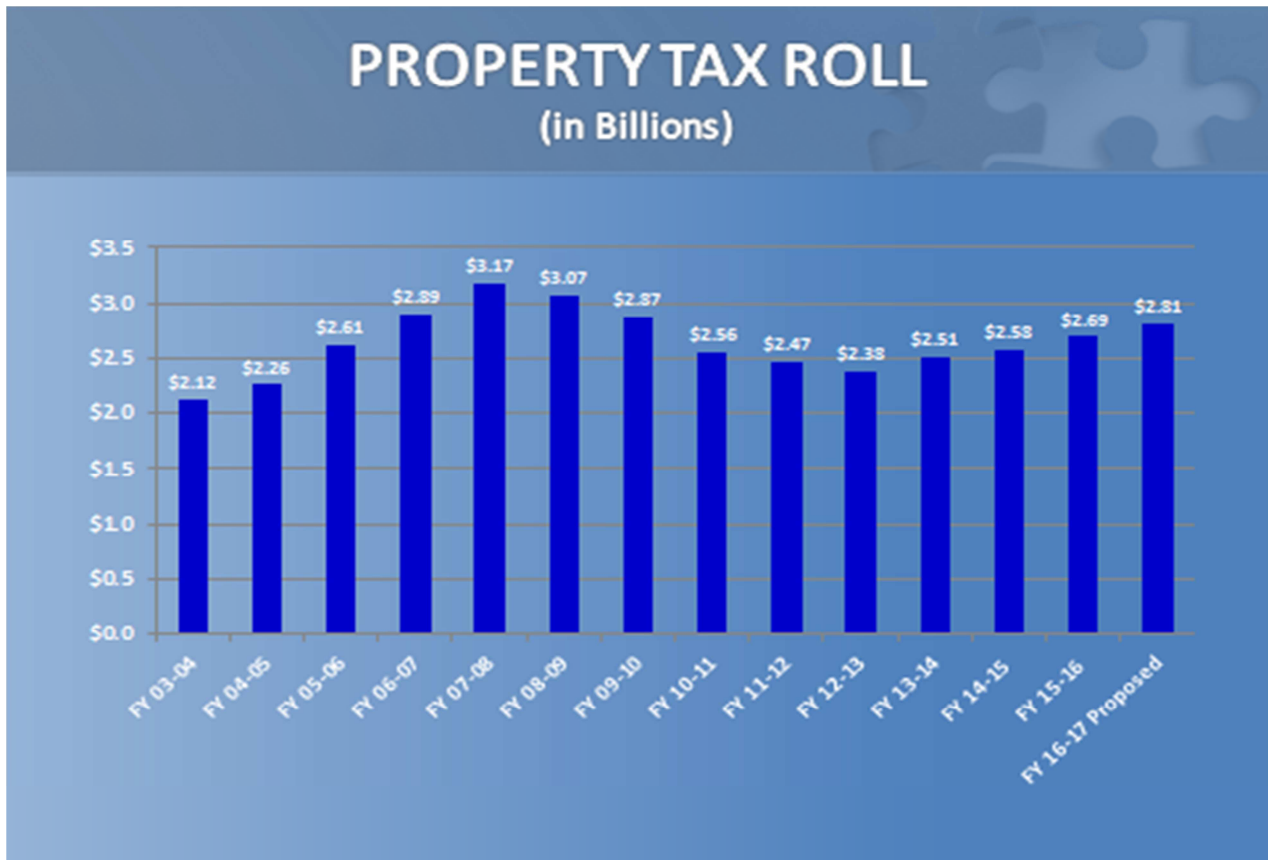
FY 2016-17 PROPOSED GENERAL FUND BUDGET

The FY 2016-17 Proposed General Fund Budget proved at the onset to be challenging due to increases in contractual services for Police as well as grounds, rights-of-way and facility maintenance, group health insurance cost and general elections, offset by minimal increases in revenues. This eliminated much of the flexibility we were hoping to have and as a result, there are several items that are currently not funded that will be discussed later in this memorandum.

Property Tax Roll Value

The estimated roll value from Miami-Dade County Property Appraiser on July 1, 2016 reflects a gross taxable value of \$2,809,602,232, which includes an increase of \$18,421,999 in new construction and improvements. As compared to the certified taxable value for the previous year of \$2,691,096,427, the July 1, 2016 figures reflect an increase in taxable value of \$118.5 million or 4.4%. While the increase in roll value is modest, it shows that over the last five years the Town has been able to hold its value. It is therefore important that we continue to invest in the Town's infrastructure and beautification to make Miami Lakes a desirable place to be.

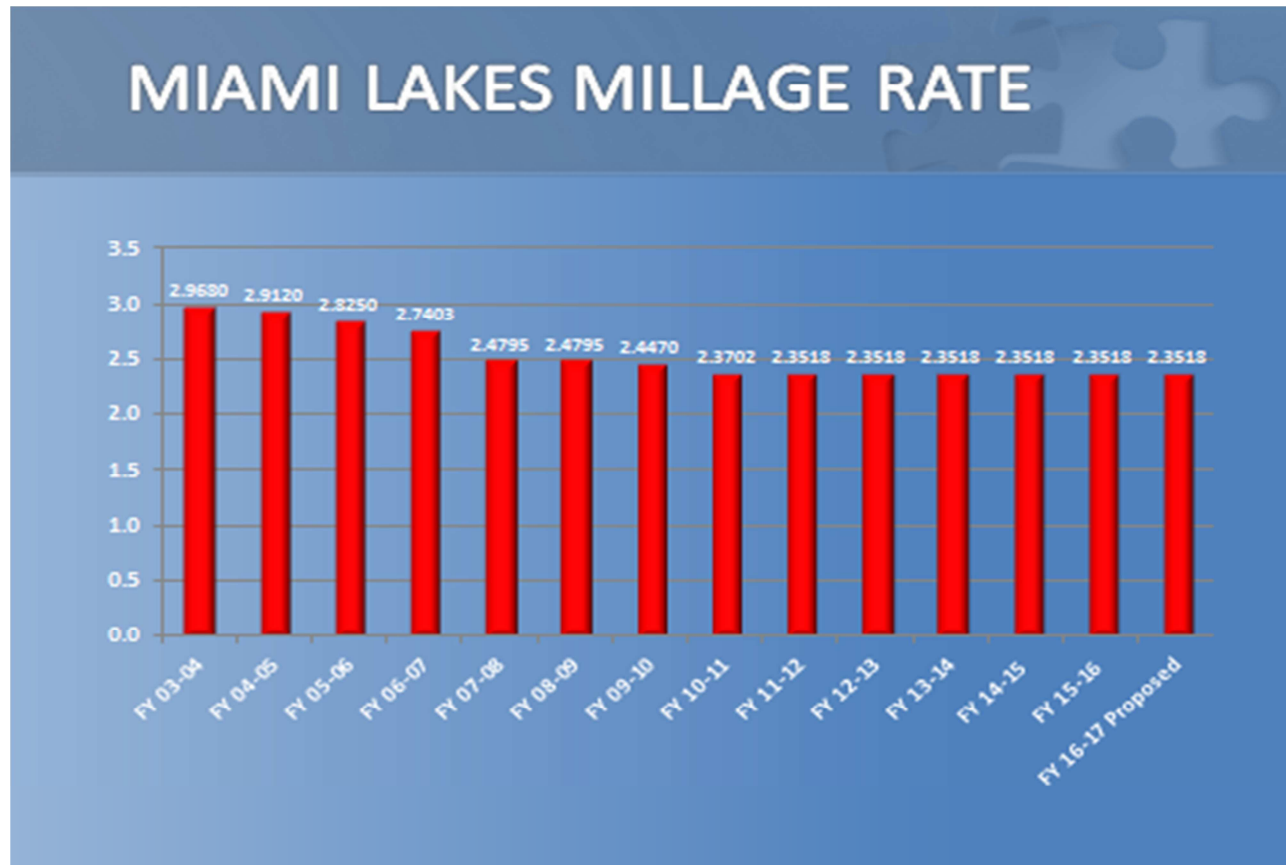
As seen in the graph below, Property Tax Roll value has been steadily on the rise since FY 2012-13, thus reflecting signs of continuous economic recovery and growth.



Millage Rate

The current year adopted millage rate for the Town of Miami Lakes was the fifth lowest millage rate in Miami-Dade County as compared to other 2016 municipal rates. The Town has steadily reduced its millage since its first year of incorporation and then maintained the same low rate since FY 2011-12 in spite of declining tax roll values for several years, resulting in a millage rate reduction from 3.057 to 2.3518, for an overall reduction of 0.7052 mills or 23%. I recommend we continue to stay the course with the same rate as the last five years, and as such, I propose the millage rate of 2.3518 for FY 2016-17.

The chart below depicts the Millage Rate since the Town's incorporation.



Rolled-Back Rate

The rolled-back rate for FY 2016-17 is 2.2194. This rate, calculated as required by the State Department of Revenue, will provide the same ad valorem tax revenue as levied during the prior year exclusive of new construction and improvements. The proposed millage rate of 2.3518 is 5.97% higher than the current year aggregate rolled-back rate. The state required methodology for calculating the rolled-back rate uses the roll value after the Value Adjustment Board action. For the Town, the final gross taxable value is \$2,634,079,123, which is \$57 million less than the preliminary July 1 base roll figure of \$2,691,096,427. The rolled-back rate would generate \$354,150 less in ad valorem revenue as compared to the proposed rate of 2.3518.

It is worth noting that the calculation of the rolled-back rate does not take into account the current rate of change to the Consumer Price Index (CPI) for all goods which is 1.30% from FY 2015 to FY2016. Additionally, the calculation does not take into account the normal increase in operating costs driven by the CPI.

Ad Valorem

The Town's taxable property value is \$2,809,602,232, a 4.4% increase from the prior year. The FY2016-17 Proposed Budget was developed using the current and proposed millage rate of 2.3518. This millage rate generates property tax revenue or ad valorem, calculated at 95% for budget purposes, of \$6,278,000 to the General Fund Revenue Budget. The impact is approximately \$265,000 increase in ad valorem revenue for FY 2016-17.

FACTORS AFFECTING FY 2016-17 BUDGET

I. REVENUES

Within the last three years the effects of the economy has improved, but the Town continues to experience the impact of the Town's taxable values, revenue streams and the cost of operations. Revenues have finally begun to show a slight turnaround, particularly in the area of property taxes which is a direct result of the increase in property values. Revenues from the State, permits, fines and user fees have shown modest increases and we are proposing a total General Fund Budget of \$15,753,634 for FY 2016-17 or \$391,000 in additional revenues as compared to the current year. **It should be noted that for FY 2016-17, all building permit activity has been separated from the General Fund, and the related revenues and expenditures will be accounted for in the Building Fund.**

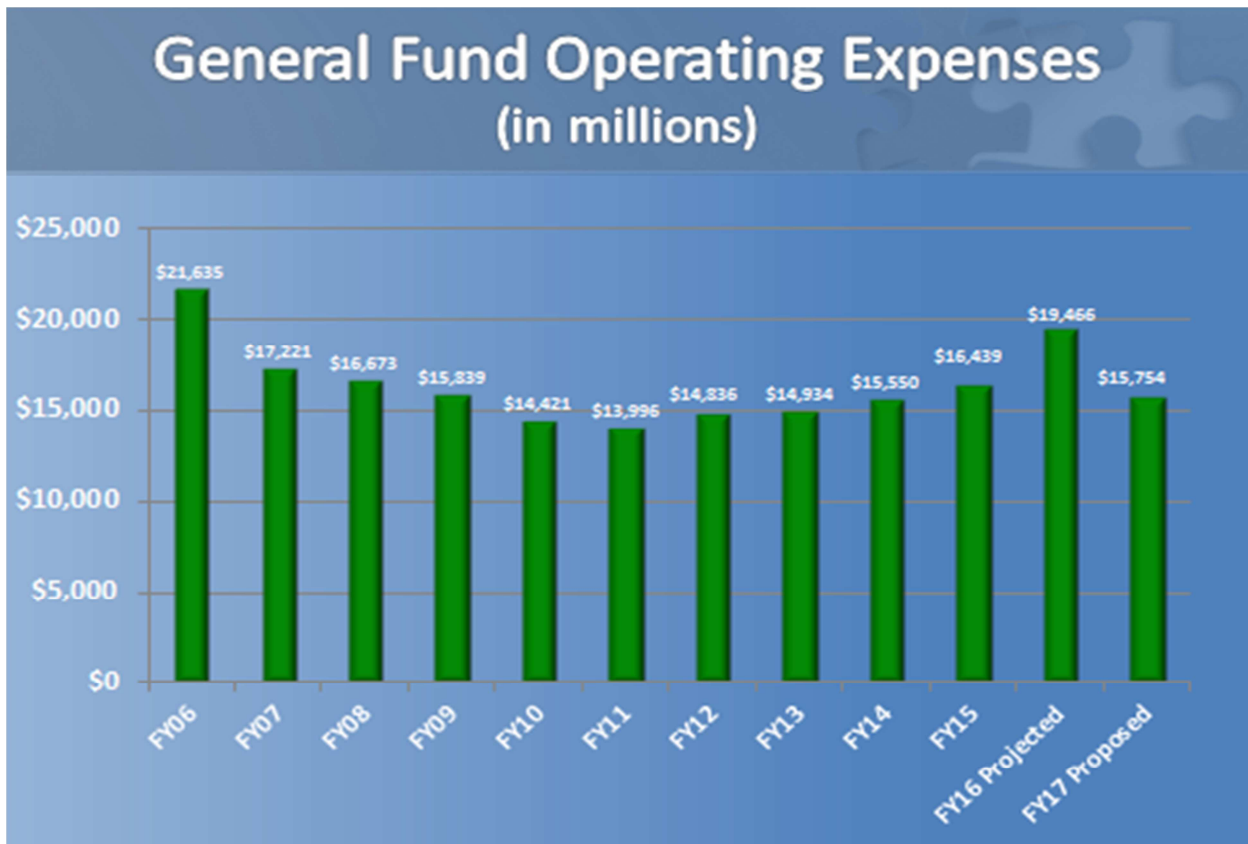
Property taxes remain the primary source of funding for all Town services and show an increase \$265,000 over the current. Revenues are also derived from franchise fees, utility taxes, State Revenue Sharing, Half-Cent Sales Tax, Communication Services Tax, business licenses, user fees for services, fines, and interest income which in total, nets to approximately \$126,000 in additional revenues for FY2016-17.

Subsequent to the July 11, 2016 Budget Workshop, the State posted estimated Communication Services Tax revenues to Miami Lakes to be approximately \$150,000 less than the Town's Proposed Budget assumes. At this point, we are recommending to leave the revenue at the same level as in the Proposed Budget as the reduction is attributed to a refund claim from ATT Mobility for internet access charges, most jurisdictions are affected through this refund. The formal, written notification that misallocations have occurred will be sent on or about November 15, 2016.

The Lien Amnesty Program implemented in 2015 was very successful in achieving compliance for outstanding code cases. The program ended in the first quarter of FY 2015-16 and as a result, we will no longer see those one time revenues in an amount of approximately \$70,000.

II. EXPENSES/SIGNIFICANT BUDGET CHANGES

As indicated in the chart below, the Town has significantly reduced expenses over the last ten years from a high of \$21,634,500 in 2006 to a projected FY 2016-17 Expense Budget of \$15,753,634. As compared to FY 2015-16 Projected Expenses **excluding** carryover funds for projects (\$500,000), developer's reimbursement of Series 2013 Loan (\$1.7M) and the Building permit activity expenses (\$1.2M), the FY2016-17 Proposed Expense Budget reflects an increase of approximately \$391,000 or 3%. Significant changes affecting the Proposed Budget are described below:



- **Merit and Cost of Living Increases** - Salary surveys indicate that we are not staying competitive with our peers and most other municipalities have proposed merit and cost of living adjustment (COLA) for FY2016-17. The Proposed Budget includes an across the board 2% COLA effective April 2017 for approximately \$25,000.
- **Staffing** The Proposed General Fund Budget includes thirty-two full-time positions, three part-time positions, eight seasonal positions and seven part-time seasonal positions. This is less eight positions that have been transferred to the Building Fund and one position to the Facility Maintenance Fund. As compared to the current year's

staff complement, we have converted two part-time positions (Receptionist in Administration and Leisure Services Specialist in Community Services) to one full-time position, Recreation Assistant. Additionally, the part time Accounting Technician in Finance was converted to full time status to manage the prompt payment of invoices pursuant to the requirements of State Law; these conversions have a minimal impact to the Budget, but reduce part-time staffing position by one.

In keeping with the business model of the Town, we continue to maintain a small contingency of staff with core competencies in specialized areas and contract out many of the service delivery functions when it provides long-term savings to do so.

- **FRS Contribution** – The Florida Retirement System contribution rate increased slightly from 7.26% to 7.52% for regular employees as of July 1, 2016 and has no significant impact to the Budget.
- **Group Health Insurance** – Based on prior years' trend, we have included a 15% increase for group health insurance totaling \$66,000. The Town has implemented various wellness activities with the goal of reducing health care premium cost and improving morale.
- **General Election** – Funding for the cost of general election of the mayoral seat, Seats 1, 3, and 5. \$40,000.
- **Police Services** – The Budget reflects an increase of \$303,500 for Police patrol expenses. This is as a result of the settlement agreement between the County and the Police Benevolent Association that includes a 4% COLA effective October 2016 (\$176,900), significant increase to the group health insurance (\$69,700) and an allocation (\$56,900) for overtime to mitigate traffic issues within the Town of Miami Lakes.
- **Grounds Maintenance Contractual Services** – Several rights-of-way and landscape maintenance contracts will expire and need to be rebid in FY 2017. It is expected that contract pricing for these services will increase due to market changes driven by increased labor and material costs, construction demand (\$73,550)
- **Reimbursement from Building Fund** - As previously mentioned, the building permit activity has been transferred out of the General Fund and a new Building Fund created to account for all related revenues and expenditures. As such, the Building Fund will reimburse the General Fund \$124,500 for administrative support provided by the General Fund.
- **Committees** The total Committees' Budgets have been set at \$200,150, the same level as the current and previous year, however, the Cultural Affairs Committee and the Youth

Activities Task Force are requesting an increase of \$7,700 and \$3,900, respectively, which has not been funded at this time. Justification for their budgets was presented at the 1st Budget Workshop on July 11, 2016.

- **Transfers** The Proposed General Fund Budget for FY 2016-17 has no transfers for one-time expenses or capital projects.
- **Fund Balance** In accordance with the Town's audited financials as reported in the FY 2014-15 Comprehensive Annual Financial Report (CAFR), the General Fund Balance at the beginning of FY 2015-16 was \$4,566,497. During the year, Council approved transfers from the Fund Balance totaling \$1,504,340: FEMA reimbursement (\$747,000), Legal Fees (\$250,000), Special Election Mail Ballot (\$75,000), Public Officials Insurance increase (\$50,000), Litigation Reserves (\$300,000) and other project related expenses (\$82,340). This reduced the fund balance to \$3,062,157.

At the end of FY 2015-16, our operations are estimated to result in a surplus of approximately \$453,000, thus increasing the Fund Balance to \$3,515,157. Of this amount, \$2,363,045 or 15% of the General Fund Operating Budget is required to remain as a Reserve which leaves the Town with an undesignated or unrestricted reserve of \$1,152,112.

III. **UNFUNDED NEEDS/UNADDRESSED ITEMS**

The FY 2016-17 Proposed General Fund Budget does not include funding for various projects and initiatives that staff has been directed to implement or are necessary for operational purposes. At the July 11th Budget Workshop, a total of \$1,868,670 in unfunded projects was submitted by staff and subsequently ranked by Town Council. Below is a list of the top six council-ranked unfunded items. The Senior Adult Programming is proposed to be funded through a Pay for Play approach.

- **Police Services \$292,700** - 2 Police Officers are being requested to meet the demand of calls for service based on the Town's population. This would increase the staffing from 45 to 47 sworn personnel. The Town has applied for a COPS grants in the amount of \$130,000 over the next three years to help fund these services.
- **West Lakes Neighborhood Reforestation Program \$100,000** – The Beautification Master Plan has identified trees per street for reforestation in the West Lakes neighborhood for a total of \$500,000. This funding will remove and replace 1/5 of the canopy. Additional funding will be required over the next 4 years to complete the process.

- **Removal and Replacement of Black Olive Trees \$85,000** – A total of 525 black olive trees have been identified in this fiscal year for immediate removal.
- **Beautification: NW 67th Avenue and 138th Street \$200,000** – Construction of a complete entry feature to include streetscape, landscape and lighting.
- **Senior Adult Programming \$0** – To offer adult and senior programming in the evenings and on weekends as a Pay for Play option.
- **Public Officials Litigation Reserves \$500,000** - Partial funding for the potential settlement of the criminal lawsuit in the case of Michael Pizzi vs Town of Miami Lakes. I am proposing to fund through FY 15-16 carry-over.

Conclusion

While we were able to present a balanced budget with no millage increase, this budget funds no new Parks capital improvements or beautification; in addition, the potential reduction in Communications Services Tax leaves us with very limit flexibility on the coming year.

Overall, the cost of doing business continues to increase, healthcare, construction and maintenance services continue to rise and the Town's capital assets must be maintained and improved. There are a number of challenges expected in the coming years and we will need to explore new revenue initiatives beyond ad valorem. As such, we remain committed to managing our resources in a financially stable manner and continue to offer exceptional quality of service to our residents.