



TOWN OF MIAMI LAKES MEMORANDUM

To: Honorable Mayor and Town Councilmembers

From: Edward Pidermann, Town Manager

Subject: FY 2019-20 Tentative Millage, Proposed General Fund Budget, and Budget Hearing Dates

Date: July 16, 2019

Recommendation

It is recommended that Town Council approve a tentative millage rate for Fiscal Year 2019-20 at 2.3127 mills, which is \$2.3127 per \$1,000 of assessed property value. This is the same millage rate as adopted for the current year, and it remains one of the lowest in Miami-Dade County. The proposed millage rate is expected to yield \$7,394,424 in ad valorem revenue at 95% of value based on the July 1, 2019 estimated Property Tax Roll, as provided by Miami-Dade County Property Appraiser.

In conjunction with the proposed millage rate, this resolution submits a summary of the highlights to the FY 2019-20 Proposed General Fund Budget which include revenues the Town expects to receive and the planned areas where the money will be spent.

This resolution also sets the budget hearing dates for the Town. Florida Statute requires local governments to hold two public budget hearings and precludes municipalities from conducting these hearings on the same day as Miami-Dade County School Board (July 24th and September 4th) and Miami-Dade County (July 9th and September 20th). We therefore recommend holding the Town's First Budget Hearing on **Tuesday, September 10, 2019 at 7:30 p.m.**, and the Second Budget Hearing on **Tuesday, September 24, 2019 at 7:30 p.m.** at Miami Lakes Government Center, Council Chambers.

Prior to the two Public Budget Hearings in September, the Town will hold its 3rd Budget Workshop on August 20, 2019 at which time all other Funds will be presented.

Background

As the Town enters a seventh year of economic growth attributed to increasing property values and new development, the positive effects of prudent financial decisions over the last few years have allowed us to invest in new community facilities, stormwater infrastructure improvements, enhanced communication and transparency, police resources to accommodate a growing population, beautification projects and improved response times to requests for service through new technologies and process improvement.

The Town's economic development goal is to reinforce, strengthen and promote the livability and sustainability of our neighborhoods, commercial and industrial areas in the face of the current economic climate and changing needs of the population. The Town's financial position will continue to remain strong with continued development, as property values increase and generate more property tax revenues.

While the current and projected development projects bode well for the Town's future economic stability, the Town faces a new challenges this year with the termination of Miami Dade County and FPL franchise fee agreement which will be discussed later in this memorandum, as well as other declining Non-Ad Valorem revenue streams.

Property Tax Roll Value

The estimated roll value from Miami-Dade County Property Appraiser on July 1, 2019 reflects a gross taxable value of \$3,365,592,016, which includes an increase of \$55,244,829 in new construction and improvements. As compared to the certified taxable value for the previous year of \$3,213,878,488, the July 1, 2019 figures shows an increase of \$151.7 million or 4.7%, a positive economic indicator of the continued increase in both residential and commercial property developments.

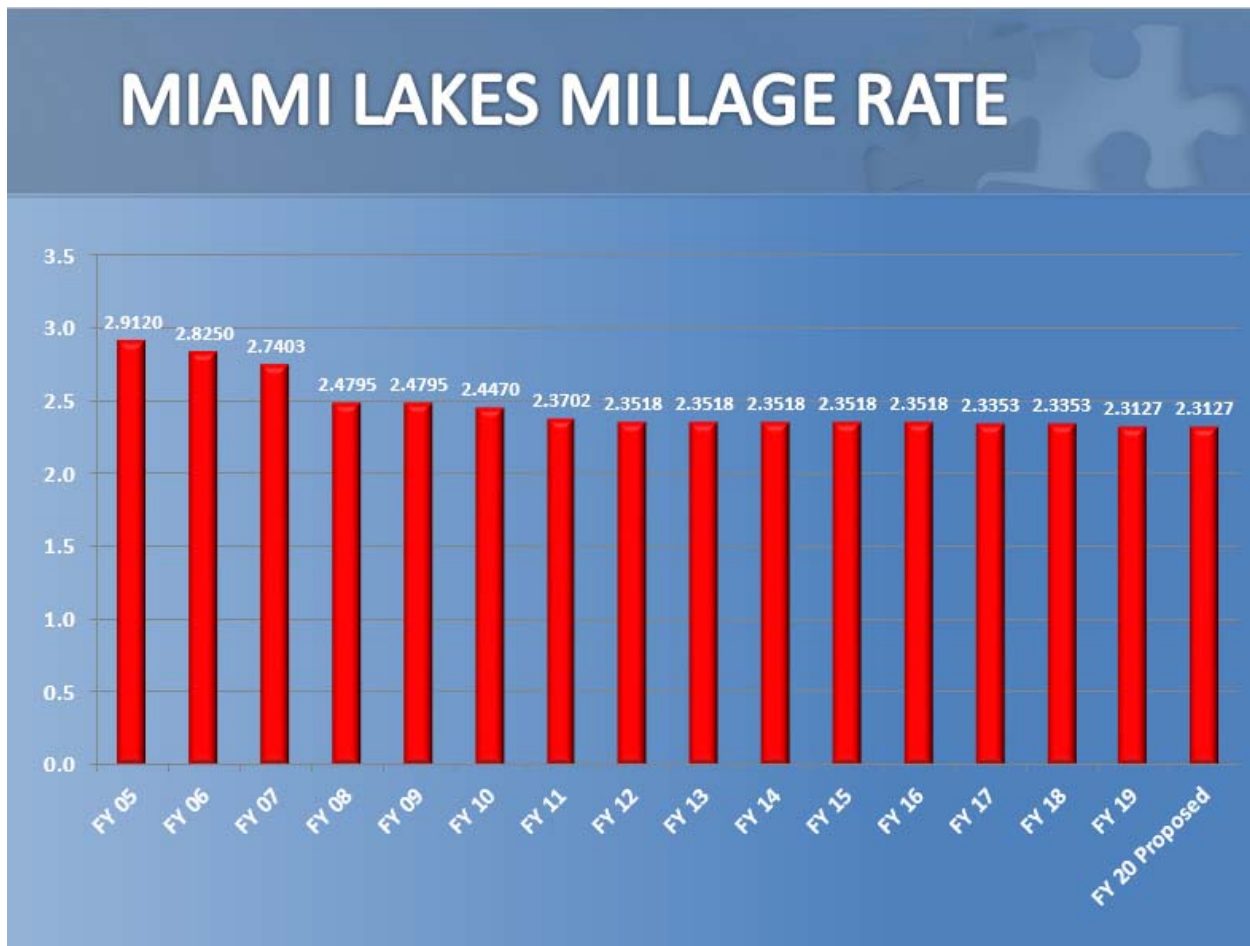
As seen in the graph below, Property Tax Roll value has been steadily on the rise since FY 2014 reflecting continuous economic recovery and growth, the highest since the Town's incorporation.



Millage Rate

The Town's current year adopted millage rate is the fifth lowest millage rate among the thirty-six municipalities in Miami-Dade County, and well below the statutory limit of 10.0 mills. Since its first year of incorporation, the Town has steadily reduced the millage rate, and maintained the same low rate from 2012 for five consecutive years. In 2017, the millage rate was reduced to 2.3353 mills for two consecutive years, and in 2019 the millage rate was further reduced to an all-time low of 2.3127 mills. For FY 2020, the Proposed Budget provides for no increase to the millage rate, remaining unchanged at 2.3127 mills for the second consecutive year.

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



Rolled-Back Rate

Based on the proposed millage rate of 2.3127, the rolled-back rate for FY 2020 is 2.2255. The rolled-back rate would provide the same ad valorem tax revenue as was levied during the prior year exclusive of new construction and improvements. The proposed millage rate of 2.3127 is 3.92% higher than the current year aggregate rolled-back rate. The State Department of Revenue required methodology for calculating the rolled-back rate uses the roll value after the Value Adjustment Board action. The Town's prior year final gross taxable value is \$3,185,477,666, which is \$28.4 million less than the preliminary July 1st base roll figure of \$3,213,878,488. The rolled-back rate would generate \$278,805 less in ad valorem revenue as compared to the proposed rate of 2.3127.

Ad Valorem Revenue

The FY 2019-20 Budget was developed using the proposed millage rate of 2.3127. This millage rate will generate property tax revenues or ad valorem (calculated at 95% for budget purposes) in the amount of \$7,394,424. The impact is approximately \$333,224 or 4.7% increase in ad valorem revenue for the General Fund.

FY 2019-20 PROPOSED GENERAL FUND BUDGET

The proposed budget is a deliberate balance of revenues and expenditures prepared in accordance with the State of Florida's Truth in Millage process and best serves the Town's prioritization for provision of core services and the Council's Strategic Plan Initiatives. We were able to balance this fiscal year's budget with recurring revenues exclusive of the FPL Franchise Fee and deferred expenses, which allowed us to maintain core service levels.

The total FY20 Proposed General Fund Budget is \$16,653,332, an overall decrease of approximately \$1,376,725 or -7.6% as compared to the prior year's projection. This is a direct result of the FPL Franchise Fee revenue loss mentioned previously in this memorandum. Currently the Town provides high levels of service, however severe austerity measures were taken by deferring those service levels to core services to meet this shortfall. Long-term continued deferral of these core services will result in a dramatic decrease in service delivery to our residents.

In addition to the core services, this year's budget provides funding for infrastructure renewal and replacement, increases to health insurance cost, as well as the increased cost of base police patrol services passed through our contract with Miami-Dade County.

The Budget includes \$342,500 carry-over from the prior year which represents the balance from the litigation reserve. It should be noted that the Budget excludes the unassigned fund balance which is discussed later in this memorandum.

FY2019-20 Proposed General Fund Budget
July 16, 2019

A summary of the General Fund Budget is presented below comparing FY2020 Proposed Budget to FY2019 Year-End Projection.

ACCOUNT NAME/DEPARTMENT	FY2017-18 ACTUALS	FY2018-19 AMENDED BUDGET	FY2018-19 YEAR-END PROJECTION	FY2019-20 PROPOSED BUDGET	VARIANCE YE PROJECTION VS PROPOSED	% CHANGE
Revenues						
Ad Valorem Taxes	\$6,753,219	\$7,111,200	\$7,183,890	\$7,444,424	\$260,534	3.6%
Franchise Fees	\$1,272,507	\$1,275,000	\$1,301,595	\$212,500	(\$1,089,095)	-83.7%
Utility Service Tax	\$3,064,538	\$3,325,501	\$2,803,952	\$2,897,350	\$93,398	3.3%
Intergovernmental Revenues	\$4,414,968	\$4,522,810	\$4,519,564	\$4,450,000	(\$69,564)	-1.5%
Permits & Fees (Non-Building Dept.)	\$475,492	\$433,500	\$411,399	\$424,500	\$13,101	3.2%
Fines & Forfeitures	\$193,842	\$195,000	\$184,991	\$185,000	\$9	0.0%
Miscellaneous Revenues	\$373,609	\$421,707	\$349,667	\$306,650	(\$43,017)	-12.3%
Sub-total Recurring Revenues	\$16,548,174	\$17,284,718	\$16,755,058	\$15,920,424	(\$834,633)	-5.0%
Transfers In	0	\$0	\$0	\$390,408	\$390,408	100.0%
Prior Year Carry-Over Funds	27,890	\$1,275,000	\$1,275,000	\$342,500	(\$932,500)	-73.1%
Sub-total Other Revenues	27,890	\$1,275,000	\$1,275,000	\$732,908	(\$542,092)	-42.5%
Total Revenues	16,576,064	\$18,559,718	\$18,030,058	\$16,653,332	(\$1,376,725)	-7.6%
Expenditures						
Town Mayor & Council	357,897	\$393,607	356,513	\$337,999	(\$18,514)	-5.2%
Town Clerk	149,766	\$255,315	230,793	\$206,247	(\$24,546)	-10.6%
Town Attorney	321,685	\$255,000	253,439	\$200,000	(\$53,439)	-21.1%
Administration	1,994,136	\$2,101,257	1,876,957	1,780,730	(\$96,227)	-5.1%
Police and School Crossing Guards	8,224,739	\$8,616,691	8,817,501	8,541,358	(\$276,143)	-3.1%
Planning and Code Compliance	458,546	\$443,689	423,864	440,375	\$16,511	3.9%
Zoning	114,519	\$115,110	118,978	117,982	(\$996)	-0.8%
Parks and Recreation	2,396,426	\$2,569,060	2,324,180	2,289,375	(\$34,805)	-1.5%
Communications and Community Affai	522,441	\$620,687	577,186	\$478,996	(\$98,190)	-17.0%
Special Events - Committees	214,849	\$331,222	340,357	231,850	(\$108,507)	-31.9%
Public Works	962,576	\$1,270,006	\$1,136,293	\$1,054,961	(\$81,333)	-7.2%
QNIP	153,423	\$48,855	48,855	141,194	\$92,339	189.0%
Non-Departmental	0	\$510,930	\$502,222	\$532,500	\$30,278	6.0%
Sub-total Expenditures	15,871,003	\$17,531,429	\$17,007,139	\$16,353,568	(\$653,571)	-3.8%
Transfers Out	0	\$1,028,289	\$1,021,555	\$299,764	(\$721,791)	-70.7%
Total Expenditures	15,871,003	\$18,559,718	\$18,028,694	\$16,653,332	(\$1,375,362)	-7.6%
Excess (Deficiency) of Revenues over Expenditures	\$ 705,060	\$0	\$1,364	\$0	(\$1,363)	-100.0%

FACTORS AFFECTING FY 2019-20 PROPOSED BUDGET

I. REVENUES

General Fund Revenues are primarily unrestricted in nature and fund a variety of services including town administration, police patrol, general public works, community outreach and parks services. Property Taxes remain the Town's largest revenue source, comprising 45% of FY2020 budgeted General Fund revenues, followed by Intergovernmental Revenues (i.e. Half-Cent Sales Tax, Communications Services Tax and State Revenue Sharing) at 27%, followed by Utility Services Taxes 17%, Permits and Fees 3% and the remainder from Fines and Forfeitures and other miscellaneous revenues.

The total revenues available for allocation in FY2020 General Fund Budget is \$16,653,332 which represents a decrease of approximately \$1,376,725 or -7.6% as compared to FY2019 year-end projected revenues, including carryovers. This decrease is primarily the net result of the loss of our franchise fee revenue. In May 2020 the Franchise Fee contract with Miami Dade County and FPL is scheduled to expire which will represent an estimated loss of \$1.275 million to the Town under this contract. Town administration is currently negotiating a direct contract with FPL and is proposing a 6% FPL Franchise Fee come June 2020. If approved, we will receive 1/12th of the revenue (\$212,500) in FY 2019-20. Total revenues are estimated at \$2,550,000 in subsequent years under this direct contract, pending approval.

Ad Valorem revenues are expected to increase approximately \$260,534 due to the rise in property values. All other revenue categories including utility service tax, intergovernmental revenues, permits and fees, and other revenues have slight variances.

In order to adequately provide for the operational needs, the budget also includes a transfer of \$390,408 from the MLOP Master Plan project back to General Fund.

II. EXPENSES

The FY2020 Proposed Expense Budget is \$1,375,362 or -7.6% less than the prior year's projected expenses. Many of the Town's services are provided through negotiated service contracts, public safety being the leading expenditure accounting for 51.3% of the Town's total spending and provided through a contract with Miami-Dade County.

The significant changes affecting the Proposed Budget are described below:

- **Staffing** – The General Fund Budget includes 33.5 full-time equivalent positions, 7 part-time, 8 seasonal and 7 part-time seasonal positions. As compared to the prior year, full-time positions increased by 1 a new Capital Improvement Project Manager position was created to oversee all capital projects, as assigned. Currently there are 5 vacant positions which

include a Procurement Specialist, Assistant to the Town Manager, P/T Information Specialist and 2 Police Officer positions. At this time the Town will defer filling these vacancies therefore creating a savings to our General Fund budget. In keeping with the business model of the Town, we continue to maintain a small professional 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.

- **Merit and Cost of Living** – As a result of salary surveys conducted in 2017, an employee retention plan was developed which provided for a 2% cost of living adjustment in 2017 and 2018. An across the board adjustment for additional compensation or cost of living increase of 2.36% was assumed in FY 2019. **At this time no cost of living adjustment is proposed in FY 2020.**
- **FRS Contribution** – The Florida Retirement System employer contribution rate increased slightly from 8.26% to 8.47% for regular employees as of July 1, 2019. The rate increase has no significant impact to the Budget.
- **Group Health Insurance** – Based on prior years' trend, we are anticipating a 20% increase in group health insurance premium.
- **Police Services** – The Police Department's Budget which includes contracted police patrol services and the school crossing guards, represents 51.3% of the Town's total General Fund Budget, and assumes the deferral of 2 vacant Police Officer positions as mentioned above.

The chart below is a summary of net change for Police Patrol Services:

POLICE PATROL SERVICES	FY 2018-19 ADOPTED BUDGET	FY 2018-19 YEAR-END PROJECTION	FY 2019-20 PROPOSED BUDGET	NET CHANGE FY19 PROJ VS. FY20 PROPOSED	
- Police Salaries	\$4,590,800	\$4,592,333	\$4,545,358	(\$46,974)	-1%
- Overtime	320,000	320,000	340,000	\$20,000	6%
- School Security	130,000	185,802	0	(\$185,802)	-100%
- Social Security	308,000	391,017	276,476	(\$114,541)	-29%
- Retirement	1,118,000	1,325,841	1,042,754	(\$283,087)	-21%
- Group Health Insurance	714,000	712,364	686,000	(\$26,364)	-4%
- Other fringe benefits	103,000	(77,096)	227,394	\$304,491	-395%
Total Personnel Services	7,283,800	7,450,260	7,117,983	(\$332,278)	-4%
Fleet Maintenance & Operations	473,400	499,180	534,498	\$35,318	7%
Insurance	266,100	264,902	279,300	\$14,398	5%
County Overhead Cost	479,700	493,172	496,062	\$2,890	1%
TOTAL PATROL SERVICES	\$8,503,000	\$8,707,514	\$8,427,843	(\$279,671)	-3.2%

- **Ground Maintenance & Right-of-Way Services** - Currently the Town provides high levels of services, however severe austerity measures were taken by deferring the number of mulch and sand refurbishment cycles, tree trimming throughout all corridors of the town, replacement of playground amenities.
- **Legal Fee Settlement/Reserves** – A reserve for the potential settlement of legal fees in the case of Michael Pizzi vs town of Miami Lakes is included in Non-Departmental. This amount is the balance carried over from the prior year's reserve for legal fees. (\$342,500)
- **Inter-fund Reimbursements** – During the normal course of business, the General Fund provides administrative, legal, accounting and technical support to the proprietary and special revenue funds. As such, these Funds reimburse the General Fund a percentage of total cost for services provided, which is shown as an offset to salaries in Administration Department for transparency purposes. These include the Building Department (\$189,673), Stormwater Utility (\$76,948), CITT Peoples Transportation Plan (\$62,500) and the six Special Taxing Districts (\$168,510).
- **Committees** – The FY 2020 Budget provides for a total allocation of \$231,850 to the Committees. However, the following committees have requested an increase in their budgets, justifications of which were presented to Council at the 2nd Budget Workshop held on July 8, 2019:
 - Cultural Affairs - \$20,450
 - Economic Development - \$1,500
 - Educational Advisory Board - \$3,700
 - Neighborhood Improvement - \$3,000
 - Public Safety - \$1,600
 - Youth Activity Task Force - \$12,250If approved, this increases the total Committees' budgets by \$42,500 for a total of \$274,350.
- **Transfers** - The Proposed General Fund Budget does not include any transfers for one-time expenses or capital projects at this point.

III. FUND BALANCE

In accordance with the Town's audited financials as reported in the FY 2017-18 Comprehensive Annual Financial Report (CAFR), the General Fund unassigned fund balance at the beginning of FY 2018-19 was \$5,048,869. From this amount, \$836,000 has been earmarked for Hurricane Irma expenses that are not expected to be reimbursed by FEMA. During the year, Council approved carryforward from the General Fund balance totaling \$1,275,000: this includes a reserve for legal fees (\$400,000), funding for parks improvement and beautification projects (\$717,670), and projects that commenced but were not completed in the prior year (\$157,330). This reduced the fund balance to \$2,937,869.

The General Fund operations at the end of FY 2018-19 are expected to result in a surplus of approximately \$342,500 which represents the balance from the legal reserves, and which have been re-budgeted in FY 2019-20. Therefore, the fund balance is expected to remain at \$2,937,869.

The Town's reserve policy ordinance requires that we maintain 15% of budgeted general fund expenditures on hand as a reserve whenever possible. Given that, \$2,498,000 from the fund balance is required to remain as Reserves, which leaves the Town with an unrestricted reserve of \$439,869.

Conclusion

The development of the General Fund Budget was a challenging task, but we are pleased to present a structurally balanced budget that provides a responsible allocation of public resources that maintains the Town of Miami Lakes as a safe, attractive and vibrant community. This budget adequately provides for the operational needs of the Town with no increase to the millage rate. Notwithstanding, the cost of doing business continues to increase, public safety, healthcare, construction and maintenance services continue to rise, and the Town's capital infrastructure must be maintained and improved. There are challenges expected in the coming years and we will need to foster a climate that promotes economic development as well as explore new revenue initiatives beyond ad valorem to be able to accomplish the goals set forth by the 2025 Strategic Plan.

ATTACHMENTS:

Resolution
Position Summary