



TOWN OF MIAMI LAKES

MEMORANDUM

To: Honorable Mayor and Town Councilmembers

From: Alex Rey, Town Manager

Subject: FY 2018-19 Tentative Millage, Proposed General Fund Budget, and Budget Hearing Dates

Date: July 17, 2018

Recommendation

It is recommended that Town Council approve a tentative millage rate for Fiscal Year 2018-19 at 2.3353 mills, which is \$2.3353 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 \$7,130,200 in ad valorem revenue at 95% of value based on the July 1, 2018 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 2018-19 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 25th and September 5th) and Miami-Dade County (September 6th and September 20th). We therefore recommend holding the Town's First Budget Hearing on **Tuesday, September 4, 2018 at 5:05 p.m.**, and the Second Budget Hearing on **Tuesday, September 18, 2018 at 6:00 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 21, 2018 at which time all other Funds will be presented.

Background

As the Town enters a sixth 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. As such, maintaining the Town's credit rating remains an important part of the Town's plan for sustainable recovery and prosperity. On May 15, 2018, Moody's Investor Service upgraded the Town's bond rating from 'Aa3' to 'Aa2'. Moody's, in commenting on the basis for upgrading the ratings noted that the Town benefits from low debt and pension burdens and a strong stable financial position. Additionally, in 2017, Fitch Ratings upgraded the special obligation bonds rating from 'AA' to 'AA+'. The upgrade focused on the Town's solid revenue framework and expenditure flexibility, nominal fixed carrying costs and low long-term liability burden. The Town's financial position will continue to remain strong with continued development, and 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, a new challenge facing Florida municipalities is the proposed constitutional amendment (House Joint Resolution) HJR 7105 which will be placed on the November 8, 2018 ballot which, if approved, would create an additional \$25,000 exemption for homestead properties with assessed values over \$125,000. The estimated revenue loss to the Town of Miami Lakes would be approximately \$350,000 in the first year. However, it is anticipated that property values will increase, and with the addition of new construction to the Tax Roll, ad valorem revenues will also increase thus offsetting the loss from the additional homestead exemption, if passed.

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 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. Several components of the plan require funding from the General Fund, including beautification and communication initiatives. Specific initiatives discussed at the May 15th Budget Workshop are a part of the Fiscal Year 2018-19 Business Plan and included in the Proposed General Fund Budget; however, several of these initiatives are currently unfunded due to the lack of available resources, which will be discussed later in this memorandum.

Property Tax Roll Value

The estimated roll value from Miami-Dade County Property Appraiser on July 1, 2018 reflects a gross taxable value of \$3,213,878,488, which includes an increase of \$66,873,140 in new construction and improvements. As compared to the certified taxable value for the previous year

of \$3,017,332,354, the July 1, 2018 figures shows an increase of \$196.5 million or 6.5%, 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 and we have finally surpassed the FY 2008 Property Tax Roll.

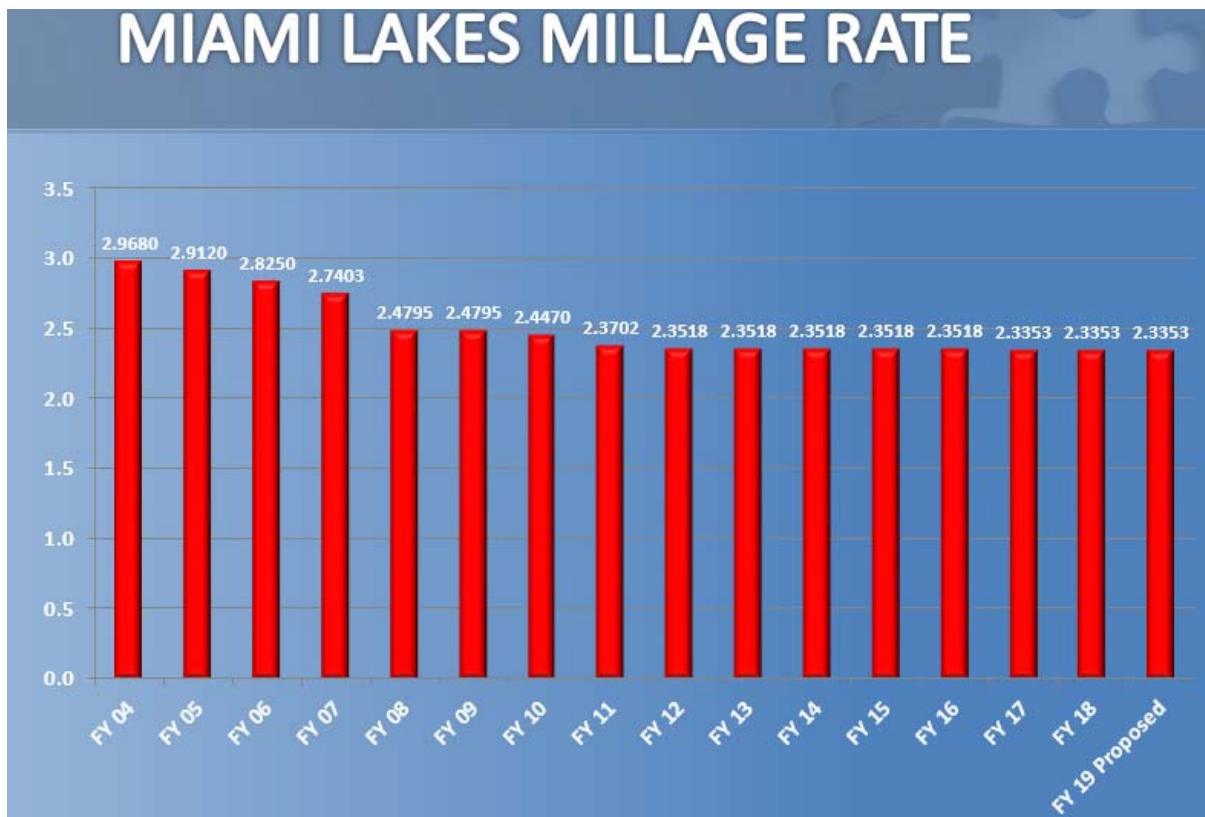


Millage Rate

The Town's current year adopted millage rate is the seventh lowest millage rate among the thirty-five 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 since 2012 for five consecutive years. In 2017, the millage rate was further reduced to an all-time low of 2.3353 mills, the same as the current year's rate. For FY 2019, the Proposed Budget provides for no increase to the millage rate, remaining unchanged at 2.3353 mills for the third consecutive year.

Given the Town's strategic goals to invest in the Town's future and the expected impact of the additional homestead exemption, I believe it is prudent to retain the millage at the current rate.

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



Rolled-Back Rate

Based on the proposed millage rate of 2.3353, the rolled-back rate for FY 2019 is 2.2190. 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 2.3353 is 5.24% 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 \$2,990,214,426 which is \$27.1 million less than the preliminary July 1 base roll figure of \$3,017,332,354. The rolled-back rate would generate \$355,085 less in ad valorem revenue as compared to the proposed rate of 2.3353.

Ad Valorem Revenue

The FY 2018-19 Budget was developed using the proposed millage rate of 2.3353. This millage rate will generate property tax revenues or ad valorem (calculated at 95% for budget purposes) in the amount of \$7,130,200. The impact is approximately \$436,000 or 6.5% increase in ad valorem revenue for the General Fund.

FY 2018-19 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. It balances the Town's financial resources with current programming and service levels while maintaining a solid financial position. We were able to balance this fiscal year's budget with recurring revenues and expense savings which allow us to maintain the current level of services expected by our residents and the business community.

The total FY19 Proposed General Fund Budget is \$17,327,106, an overall increase of approximately \$285,000 or 1.7% as compared to the prior year's Amended Budget. The Budget includes \$482,000 carry-over from the prior year which is allocated for litigation reserves (\$400,000), parks system and strategic plan software investment (\$45,000), and social media plan (\$27,000) as approved by Town Council earlier this year. It should be noted that the Budget excludes the unassigned fund balance which is discussed later in this memorandum.

In addition to the core services, this year's budget provides funding for enhanced public safety in schools, increased level of service for tree trimming to provide aesthetics tree pruning along the major corridors, the addition of one new position whose role will include management of the newly acquired Special Taxing Districts, as well as the management of the school crossing guards. The budget also accommodates increases to health insurance cost, as well as the increased cost of base police patrol services passed through our contract with Miami-Dade County.

Given that this budget will be a transition to the new Town Manager, the following actions have been incorporated into the budget:

- The Town Manager's position is budgeted for the full year at the current rate to provide more flexibility to the Town Council.
- The Deputy Town Manager position, recently vacated, will not be filled for the first three months of the year. The position is funded as of January 1, 2019, in the event the Town Council wants to bring the new Town Manager earlier than my schedule departure date of March 31, 2019.
- The Assistant to the Town Manager will be handling the Special Taxing Districts and School Crossing Guard as part of her duties. A new vacant position will be available to the new Town Manager to re-assign duties as he or she sees fit.

FY2018-19 Proposed General Fund Budget
July 17, 2018

A summary of the General Fund Budget is presented below comparing FY 19 Proposed Budget to FY18 Year-end Projection.

TOWN OF MIAMI LAKES GENERAL FUND SUMMARY						
ACCOUNT NAME/DEPARTMENT	FY2016-17 ACTUALS	FY2017-18 AMENDED BUDGET	FY2017-18 YEAR-END PROJECTION	FY2018-19 PROPOSED BUDGET	FY19 PROPOSED VS. FY18 PROJECTION \$ CHANGE	% CHANGE
Revenues						
Ad Valorem Taxes	6,267,176	6,694,100	6,741,340	7,130,200	388,860	5.8%
Franchise Fees	925,699	925,000	1,005,712	1,005,712	0	0.0%
Utility Service Tax	3,033,033	3,309,213	3,259,759	3,304,638	44,879	1.4%
Intergovernmental Revenues	4,815,291	4,511,100	4,458,460	4,463,960	5,500	0.1%
Permits & Fees (Non-Building Dept.)	547,118	597,835	463,533	423,406	(40,127)	-8.7%
Fines & Forfeitures	224,887	200,000	200,076	198,000	(2,076)	-1.0%
Miscellaneous Revenues	784,637	259,634	319,393	319,190	(203)	-0.1%
Sub-total Recurring Revenues	16,597,841	16,496,882	16,448,274	16,845,106	396,833	2.4%
Interfund Transfers	286,522	0	0	0	0	0.0%
Prior Year Carry-Over Funds	0	545,442	545,442	482,000	(63,442)	-11.6%
Sub-total Other Revenues	286,522	545,442	545,442	482,000	(63,442)	-11.6%
Total Revenues	16,884,363	17,042,324	16,993,716	17,327,106	333,391	2.0%
Expenditures						
Town Mayor & Council	327,469	369,979	363,520	387,870	24,350	6.7%
Town Clerk	209,212	167,620	155,095	215,278	60,183	38.8%
Town Attorney	559,651	330,000	320,000	230,000	(90,000)	-28.1%
Administration	3,151,934	1,998,395	1,940,900	1,818,590	(122,310)	-6.3%
Police and School Crossing Guards	7,701,732	8,246,227	8,191,497	8,616,691	425,194	5.2%
Planning and Code Compliance	473,011	502,523	495,283	519,310	24,027	4.9%
Zoning	383,720	120,532	114,793	115,110	317	0.3%
Parks & Community Services	2,260,213	2,496,966	2,448,933	2,591,172	142,239	5.8%
Community Engagement & Outreach	542,888	600,878	559,186	605,057	45,871	8.2%
Special Events - Committees	219,714	246,200	246,200	227,850	(18,350)	-7.5%
Public Works	1,041,234	1,102,685	1,019,837	1,251,672	231,835	22.7%
Q/NIP	153,423	153,423	153,423	48,855	(104,568)	-68.2%
Non-Departmental	87,243	400,000	0	400,000	400,000	100.0%
Sub-total Expenditures	17,111,445	16,735,427	16,008,668	17,027,454	1,018,786	6.4%
Transfers Out	0	306,897	304,561	299,652	(4,908)	-1.6%
Total Expenditures	17,111,445	17,042,324	16,313,229	17,327,106	1,013,878	6.2%
Excess (Deficiency) of Revenues over Expenditures	\$ (227,082)	\$ 0	\$ 680,487	\$ 0	\$ (680,487)	-100.0%

FACTORS AFFECTING FY 2017-18 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 41% of 2019 budgeted General Fund revenues, followed by Intergovernmental Revenues (i.e. Half-Cent Sales Tax, Communications Services Tax and State Revenue Sharing) at 26%, followed by Utility Services Taxes 19%, FPL Franchise Fees 6%, Permits and Fees 3% and the remainder from Fines and Forfeitures and other miscellaneous revenues.

The total revenues available for allocation in FY19 General Fund Budget is \$17,327,106 which represents an increase of approximately \$333,000 or 2.0% as compared to FY18 projected revenues, including carryovers. This increase is primarily the net result of a 6.0% increase in Ad Valorem revenues (\$389,000) due to increase in property values and a modest increase in Utility Services Taxes, offset by a decrease in Planning and Zoning Fees and staff cost recovery credits due to most new developments have passed the planning stage and are now in the construction phase. All other revenue categories including the State estimated pass-through revenues are expected to remain static.

II. EXPENSES/SIGNIFICANT BUDGET CHANGES

The FY19 Proposed Expense Budget is \$951,760 or 6% more than the prior year's projected expenses. This is a result of the carryover of funds from the prior year that was earmarked for litigation reserves (\$400,000) and specific one-time expense (\$82,000), plus the increase mainly in ad valorem revenues which allowed for the increase in cost of providing services and maintenance of our infrastructure. Many of the Town's services are provided through negotiated service contracts, public safety being the leading expenditure accounting for 50% 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:

- **Merit and Cost of Living Increases** – 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. This year's budget does not include an across the board adjustment for additional compensation or cost of living increase.
- **Staffing** – The General Fund Budget includes 32.5 full-time equivalent positions, five part-time, eight seasonal and seven part-time seasonal positions. As compared to the prior year, full-time positions increased by 2.5 FTEs: this includes transferring the Office Specialist and 50% of the cost of the Public Works Manager position that were previously

budgeted in Stormwater Utility Fund to the General Fund to accurately reflect the duties of these positions. In addition, a new position was created, Special Projects Manager, to administer the contracts of the 6 Special Taxing Districts, School Crossing Guards and special projects, as assigned.

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.

- **FRS Contribution** – The Florida Retirement System employer contribution rate increased slightly from 7.92% to 8.26% for regular employees as of July 1, 2018. The rate increase has no significant impact to the Budget.
- **Group Health Insurance** – Based on prior years' trend, we are anticipating a 15% increase in group health insurance premium. In keeping with the Employee Retention Program, the Town has implemented various wellness activities with the goal of reducing health care premium cost and improving employee morale. (\$74,840)
- **Election Cost** – Funds have been allocated for the cost of piggy-backing on Miami-Dade County's general election for 3 Seats on the Council (\$25,000) and mail-in ballot (\$25,000) for a debt service referendum.
- **Police Services** – The Police Department's Budget which includes contracted police patrol services and the school crossing guards, represents 50% of the Town's total General Fund Budget, and an overall increase of approximately \$421,000 or 5% as compared to prior year projections. This is primarily a result of the union negotiated agreement for Miami Dade Police Department that are passed through to the Town, as well as funding for enhanced police presence in schools (Off Duty Detail \$130,000). The increased cost of the base police patrol services contract is \$227,000.

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

POLICE PATROL SERVICES	FY 2017-18 ADOPTED BUDGET	FY 2018-19 PROPOSED BUDGET	NET CHANGE	
Police Salaries	\$4,462,451	\$4,590,986	\$128,535	3%
Overtime	320,000	320,000	0	0%
Off Duty Detail	0	130,000	130,000	100%
Social Security	275,252	313,661	38,409	14%
Retirement	1,053,719	1,118,361	64,642	6%
Group Health Insurance	637,500	714,002	76,502	12%
Other fringe benefits	137,949	96,647	(41,302)	-30%
Total Personnel Services	6,886,871	7,283,657	396,786	6%
Fleet Maintenance & Operations	539,878	473,350	(66,528)	-12%
Insurance	282,900	266,300	(16,600)	-6%
County Overhead Cost	436,351	479,693	43,342	10%
TOTAL PATROL SERVICES	\$8,146,000	\$8,503,000	\$357,000	4%

- **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. (\$400,000)
- **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 (\$228,657), Stormwater Utility (\$105,080), CITT Peoples Transportation Plan (\$60,750) and the six Special Taxing Districts (\$158,050).
- **Committees** – The FY 2019 Budget provides for a total allocation of \$227,850 to the Committees, which is at the same level as the prior year. 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 10, 2018:
 - Cultural Affairs - \$8,200
 - Economic Development - \$2,800
 - Elderly Affairs - \$7,400
 - Neighborhood Improvement - \$700
 - Public Safety - \$1,900
 - Veterans - \$6,300
 - Youth Activity Task Force - \$17,250.

If approved, this increases the total Committees' budgets by \$44,550 for a total of \$272,400.

- **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 2016-17 Comprehensive Annual Financial Report (CAFR), the General Fund unassigned fund balance at the beginning of FY 2017-18 was \$4,349,056. During the year, Council approved transfers from the General Fund balance totaling \$1,381,442: these include a reserve for Legal Fees (\$500,000); projects that commenced but were not completed in the prior year (\$45,442); and earmarked a reserve for Hurricane Irma expenses that are not expected to be reimbursed by FEMA (\$836,000). This reduced the fund balance to \$2,967,614.

At the end of FY 2017-18, the General Fund operations are expected to result in a surplus of approximately \$680,000. This surplus includes the \$400,000 remaining from the reserves for Legal Fees, and \$82,000 in projects that were not completed this fiscal year. These amounts have been carried over and re-budgeted in FY 2018-19. The remaining surplus funds of \$198,000 increases the General Fund Balance to \$3,165,614.

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, \$2,599,000 from the fund balance is required to remain as Reserves, which leaves the Town with an undesignated or unrestricted reserve of \$566,614.

IV. UNFUNDED NEEDS/UNADDRESSED ITEMS

The FY 2018-19 Proposed General Fund Budget does not include funding for various projects and initiatives identified as priorities or are necessary for operational purposes. These include:

- **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 phased over a 5-year period. The goal is to enhance the visual appearance of the neighborhood by removing invasive swale trees and installing native trees consistent with the Town's Tree Management Plan. This project was funded for 2 consecutive years in FY17 and FY18 from general funds (\$166,500) and grant awards (\$33,500) for the removal and replacement of 2/5 of the canopy. Additional funding is required at \$100,000 each year over the next 3 years to complete the program.
- **New Virtual Town Hall (website) \$60,000** – Funding is required to develop and brand Miamilakes-fl.gov as a technology hub for all digital services available to key stakeholders including businesses, residents, visitors, employees and government. This will encourage

citizenship engagement, web traffic, social media engagement, reduce walk-in, phone calls and customer service hours.

- **Sustainability Action Plan \$15,000** – A sustainable city is one that builds economic, environmental, and social prosperity while ensuring it has essential resources for future generations. The goal is to reduce energy consumption, conserve resources, support economic growth and enhance quality of life. Funds are required to contract with a consultant to perform a sustainability study to taking steps towards a greener, more resilient and sustainable Miami Lakes.
- **Healthy Miami Lakes Master Plan \$10,000** – One of the goals of the 2025- Strategic Master Plan is to improve the health and vitality of residents of all ages through sports and wellness. Funding is required to contract with a consultant to develop a master plan for the entire community to include seniors, special needs and young adults.
- **Smart Cities Strategic Road Map \$25,000** – A goal of the 2025 Strategic Master Plan is for the Town to achieve national recognition as a model town for creativity, education, innovation, use of technology, and safety. The Town Council agrees by way of Resolution 17-1441 approved in May 2017 that it is in the best interest of the Town to pursue and develop a Smart Cities Strategic Road Map that will allow the Town to develop policy and identify potential public and private funding opportunities for these initiatives. Funds are required to contract with a consultant to develop this road map.
- **Facilities Renewal and Replacement Plan \$125,000 (annually)** – With the construction of the new facilities and improvements to parks facilities and structures, staff has developed a renewal and replacement work plan to fund a long-term renewal and replacement schedule for major repairs and enhancements. If we implement this program, funding will be required annually.

The total unfunded projects for the operating budget for next year is \$335,000. Additionally, it does not include any transfer to the capital fund for pay-as-you-go projects.

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
FY 2018-19 Proposed General Fund – Detail Line Item
Position Summary