



TOWN OF MIAMI LAKES

MEMORANDUM

To: Honorable Mayor and Town Councilmembers

From: Edward Pidermann, Town Manager

Subject: FY 2020-21 Tentative Millage, Proposed General Fund Budget, and Budget Hearing Dates

Date: July 14, 2020

Recommendation

It is recommended that Town Council approve a tentative millage rate for Fiscal Year 2020-21 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 \$7,990,628 in ad valorem revenue at 95% of value based on the July 1, 2020 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 2020-21 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 29th and September 9th) and Miami-Dade County (September 3rd & 17th) We therefore recommend holding the Town's First Budget Hearing on **Tuesday, September 8, 2020 at 7:30 p.m.**, and the Second Budget Hearing on **Tuesday, September 22, 2020 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 a sunshine meeting on August 19, 2020 at which time all other Funds will be presented.

Background

As the Town enters its eighth year of economic growth attributed to increasing property values and new development, the positive effects of prudent financial decisions over the last few years

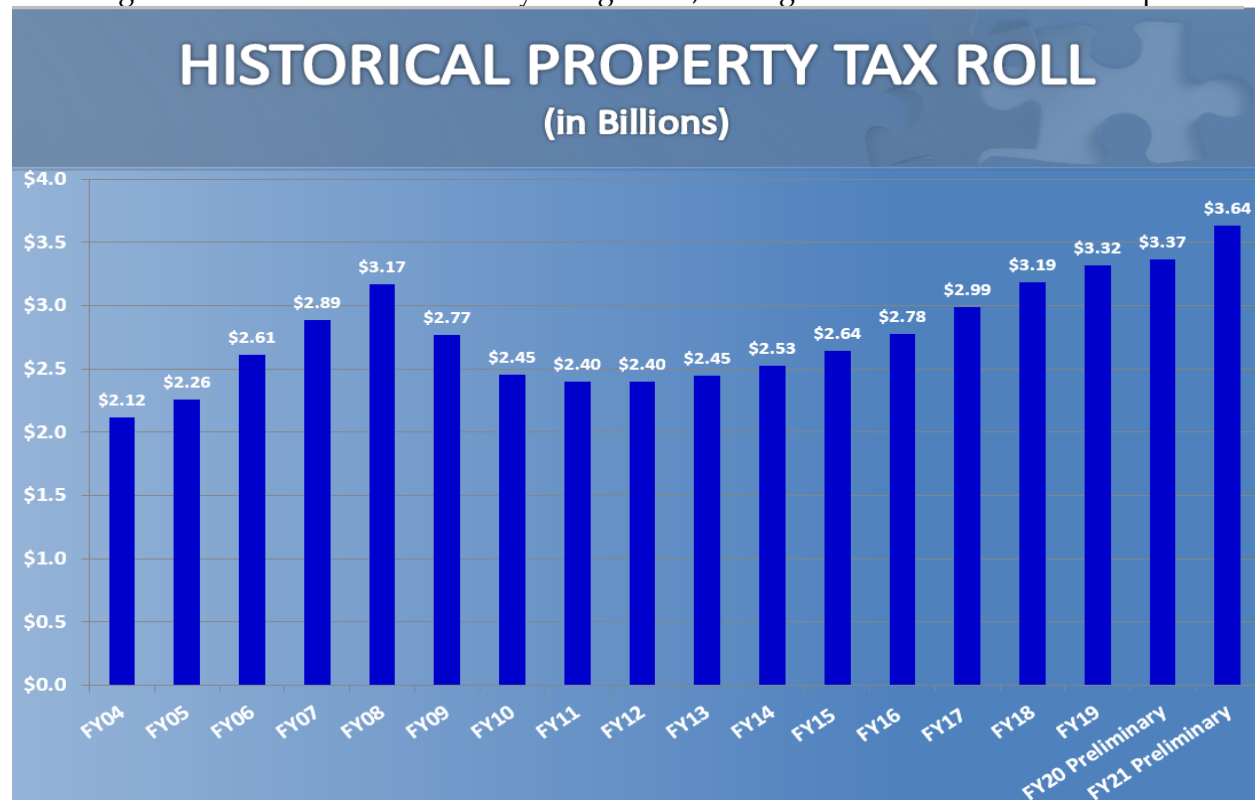
have allowed us to invest in stormwater infrastructure improvements, enhanced communication and transparency, police resources to accommodate a growing population, beautification projects and improved response times to requests for service through technologies and process improvement.

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.

Property Tax Roll Value

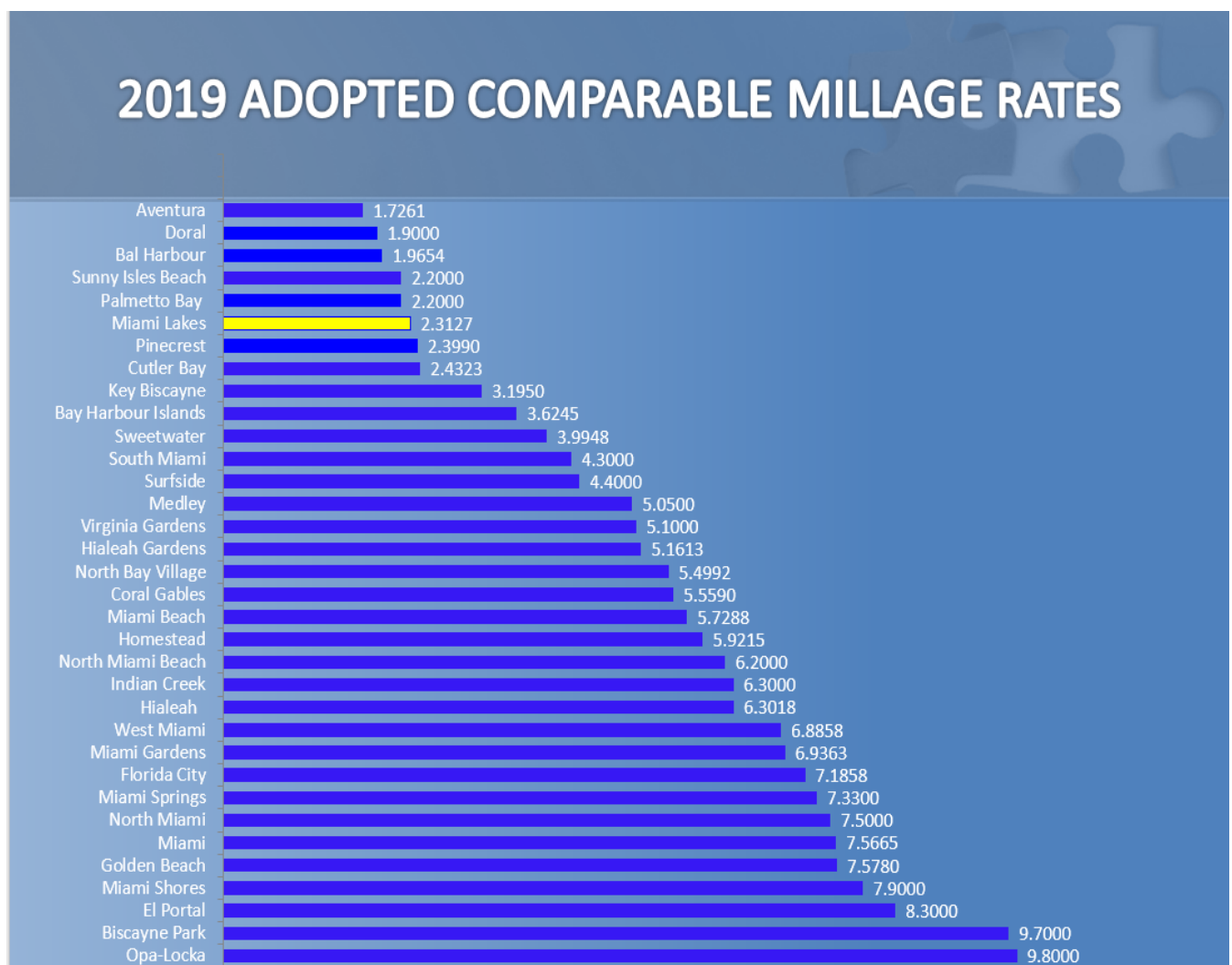
The estimated roll value from Miami-Dade County Property Appraiser on July 1, 2020 reflects a gross taxable value of \$3,636,955,722, which includes an increase of \$160,033,451 in new construction and improvements. As compared to the certified taxable value for the previous year of \$3,365,592,016, the July 1, 2020 figures shows an increase of \$271.3 million or 8.1%, 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.

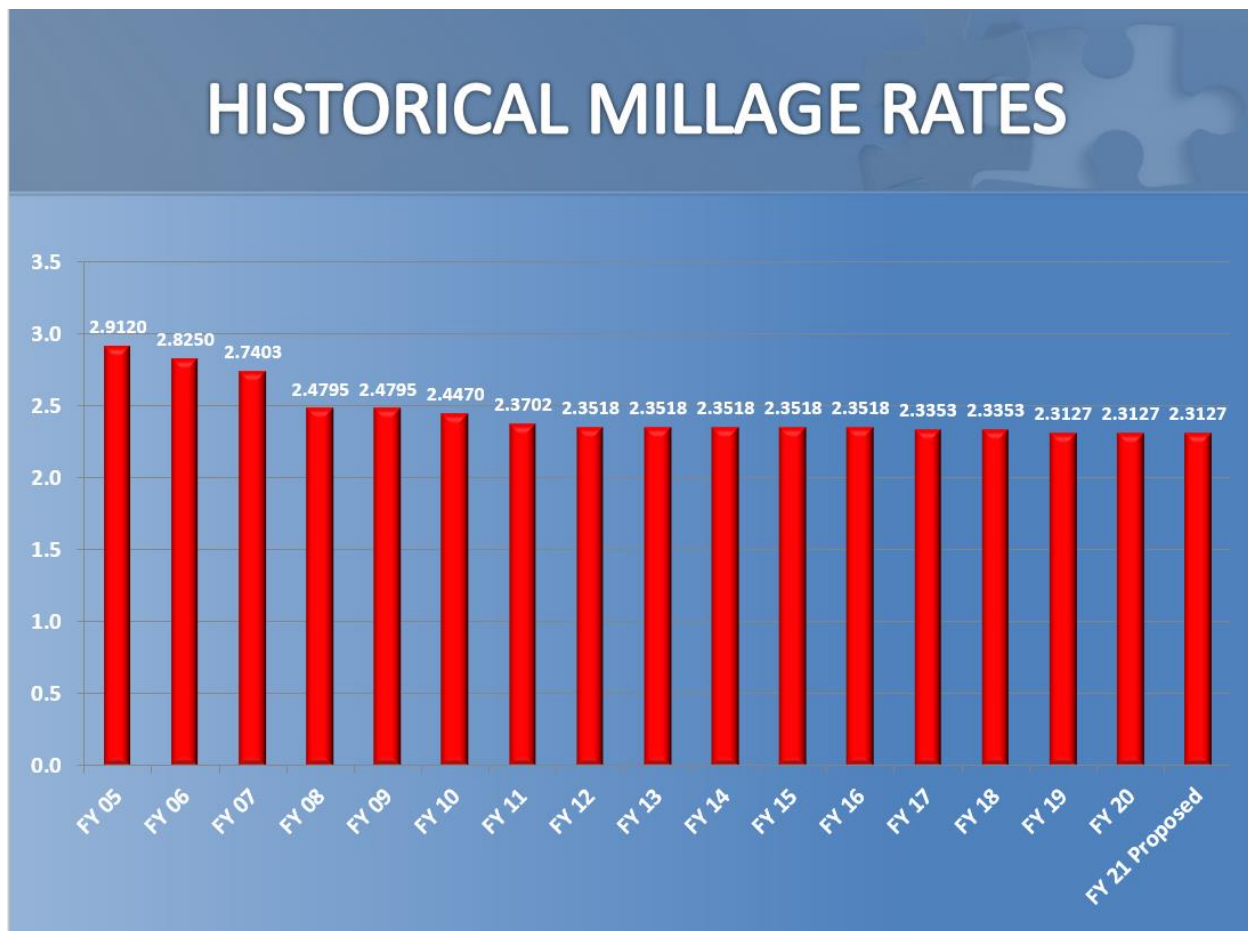


Millage Rate

The Town's current year adopted millage rate is the sixth lowest millage rate among the thirty-four 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 2021, 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 2021 is 2.2094. The rolled-back rate would provide less 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 4.68% 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 \$3,321,693,913, which is \$43.8 million less than the preliminary July 1st base roll figure of \$3,365,592,016. The rolled-back rate would generate \$356,912 less in ad valorem revenue as compared to the proposed rate of 2.3127.

Ad Valorem Revenue

The FY 2020-21 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 \$7,990,628. The impact is approximately \$596,204 or 8.1% increase in ad valorem revenue for the General Fund.

FY 2020-21 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, which allowed us to maintain high service levels to our residents.

The total FY21 Proposed General Fund Budget is \$17,647,517, an overall increase of \$287,525 or 1.66% as compared to the FY2020 adopted budget. This is a direct result of a full year of FPL Franchise Fee revenues, increase property value and maintaining high levels of service to our residents.

In addition, this year's budget provides funding for infrastructure renewal and replacement, increases to FRS, group health insurance costs, as well as general and run-off elections costs.

The Budget includes \$198,700 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.

FY2020-21 Proposed General Fund Budget
July 14, 2020

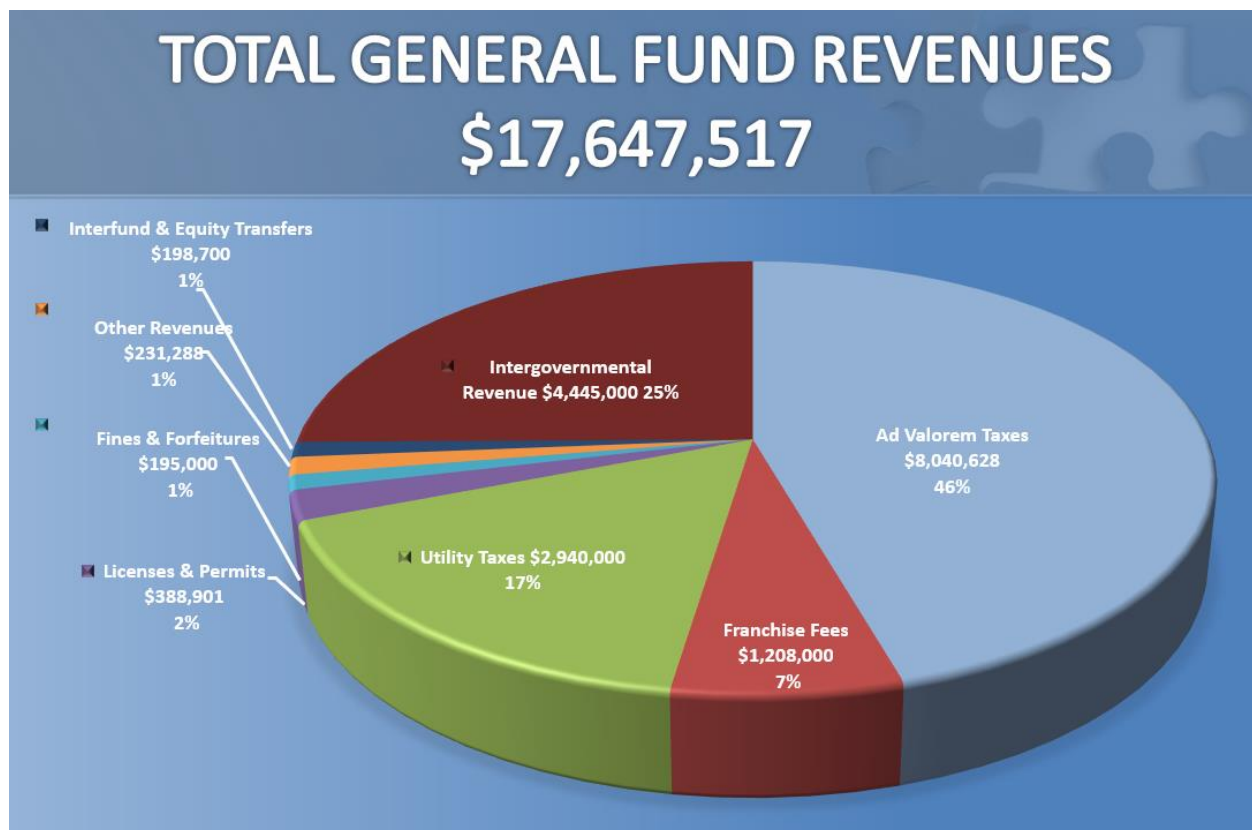
A summary of the General Fund Budget is presented below comparing FY2021 Proposed Budget to FY2020 Adopted Budget.

ACCOUNT NAME	FY2018-19 ACTUALS	FY2019-20 ADOPTED BUDGET	FY2019-20 AMENDED BUDGET	FY2019-20 YEAR END PROJECTION	FY2020-21 PROPOSED BUDGET	FY2020-21 PROPOSED VS FY2019-20 ADOPTED	% CHANGE
Revenues							
Ad Valorem Taxes	\$7,148,392	\$7,444,424	\$7,444,424	\$7,175,267	\$8,040,628	\$596,204	8.01%
Franchise Fees	\$1,130,788	\$390,000	\$390,000	\$390,000	\$1,208,000	\$818,000	209.74%
Utility Service Tax	\$2,860,586	\$2,889,601	\$2,889,601	\$2,980,725	\$2,940,000	\$50,399	1.74%
Communications Service Tax	\$1,130,732	\$1,181,000	\$1,181,000	\$1,096,458	\$1,100,000	(\$81,000)	-6.86%
State Revenue Sharing	\$788,227	\$807,000	\$807,000	\$752,494	\$807,000	\$0	0.00%
Alcoholic Beverage License	\$17,795	\$20,000	\$20,000	\$15,620	\$20,000	\$0	0.00%
Half-cent Sales Tax	\$2,431,403	\$2,518,000	\$2,518,000	\$2,323,679	\$2,518,000	\$0	0.00%
Grants / FEMA Reimbursement	\$8,079	\$0	\$0	\$0	\$0	\$0	0.00%
Permits & Fees (Non-Building Dept.)	\$442,283	\$424,500	\$424,500	\$398,640	\$388,901	(\$35,599)	-8.39%
Fines & Forfeitures	\$195,519	\$185,000	\$185,000	\$207,261	\$195,000	\$10,000	5.41%
Miscellaneous Revenues	\$386,602	\$306,650	\$306,650	\$272,840	\$231,288	(\$75,362)	-24.58%
Sub-total Recurring Revenues	\$16,540,406	\$16,166,175	\$16,166,175	\$15,612,984	\$17,448,817	\$1,282,642	7.93%
Interfund Transfers	\$50,623	\$420,000	\$551,551	\$551,551	\$0	(\$420,000)	-100.00%
Transfers In	\$0	\$431,317	\$431,317	\$431,317	\$0	(\$431,317)	-100.00%
Prior Year Carry-Over Funds	\$1,275,000	\$342,500	\$489,160	\$489,160	\$198,700	(\$143,800)	-41.99%
Sub-total Other Revenues	\$1,325,623	\$1,193,817	\$1,472,028	\$1,472,028	\$198,700	(\$995,117)	-83.36%
Total Revenues	\$17,866,029	\$17,359,992	\$17,638,203	\$17,085,012	\$17,647,517	\$287,525	1.66%
Expenditures							
Town Mayor & Council	\$364,060	\$361,608	\$361,608	\$360,512	\$377,060	\$15,452	4.27%
Town Clerk	\$232,765	\$206,247	\$206,247	\$208,987	\$268,088	\$61,841	29.98%
Town Attorney	\$257,448	\$215,000	\$358,800	\$344,110	\$215,000	-	0%
Administration	\$1,819,261	\$1,847,603	\$1,922,355	\$1,919,254	\$1,931,389	\$83,786	4.53%
Police & School Crossing Guards	\$8,658,557	\$8,817,140	\$8,817,140	\$8,771,374	\$8,662,050	(\$155,090)	-1.76%
Planning & Zoning	\$239,069	\$245,304	\$245,304	\$218,935	\$224,515	(\$20,789)	-8.47%
Code Compliance	\$302,672	\$312,054	\$312,053	\$313,748	\$327,049	\$14,995	4.81%
Parks & Recreation	\$2,492,565	\$2,724,556	\$2,752,205	\$2,618,417	\$2,720,714	(\$3,842)	-0.14%
Community Outreach & Engagement	\$335,687	\$332,324	\$332,325	\$335,074	\$384,761	\$52,437	15.78%
Committees'	\$319,077	\$194,100	\$225,914	\$216,441	\$184,100	(\$10,000)	-5.15%
Public Works	\$1,069,732	\$1,280,600	\$1,280,599	\$1,239,013	\$1,251,054	(\$29,546)	-2.31%
QNIP	\$48,855	\$141,194	\$141,194	\$141,194	\$141,194	-	0.00%
Non-Departmental	\$9,722	\$382,500	\$238,700	-	\$482,477	\$99,977	26.14%
Sub-total Expenditures	\$16,149,470	\$17,060,230	\$17,194,444	\$16,687,057	\$17,169,451	\$109,221	0.64%
Transfers Out	\$1,227,399	\$299,764	\$443,759	\$380,796	\$478,066	\$178,302	59.48%
Total Expenditures	\$17,376,869	\$17,359,992	\$17,638,203	\$17,067,853	\$17,647,517	\$287,525	1.66%
Excess (Deficiency) of Revenues over Expenditures	\$489,160	\$0	\$0	\$17,159	\$0	\$0	0%

FACTORS AFFECTING FY 2020-21 PROPOSED BUDGET

I. REVENUES

General Fund Revenues are primarily unrestricted in nature and fund a variety of services including town administration, police patrol, public works, community outreach and parks services. Property Taxes remain the Town's largest revenue source, comprising 45.6% of FY2021 budgeted General Fund revenues, followed by Intergovernmental Revenues (i.e. Half-Cent Sales Tax, Communications Services Tax and State Revenue Sharing) at 25.2%, followed by Utility Services Taxes 16.7%, Permits and Fees 2.2% and the remainder from Fines and Forfeitures and other miscellaneous revenues.



In May 2020, the Franchise Fee contract with Miami Dade County and FPL expired which represented an estimated revenue loss of \$1.2 million to the Town under that contract. To make up the significant revenue loss in the prior year (FY2019-20) the Council approved a one-time transfer from the MLOP Capital Fund (\$420,000) and a one-time transfer from reserve fund balance (\$431,317). This budget considers a full year of FPL Franchise Fee surcharge at 3% making up for the one-time revenue sources from the prior year.

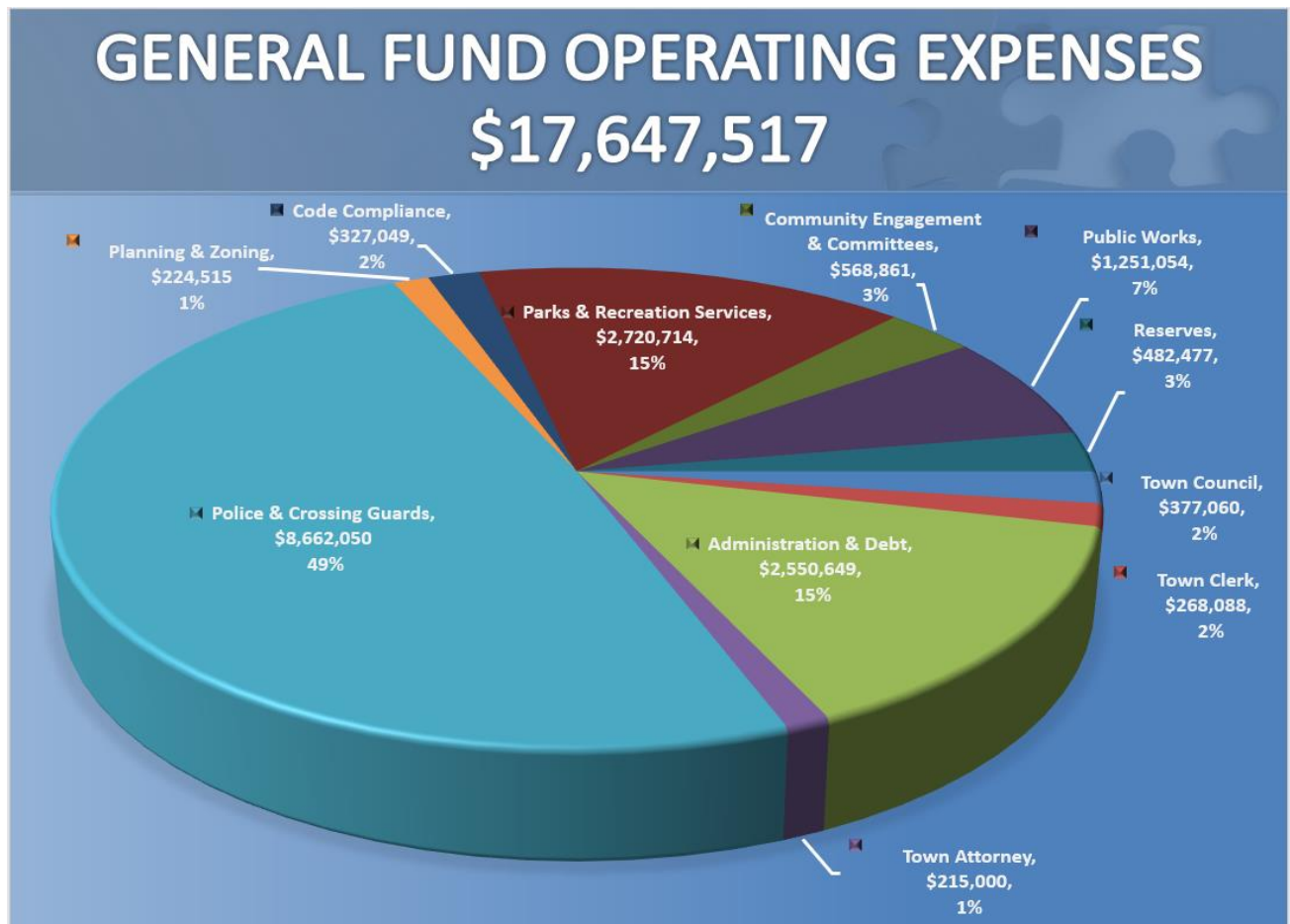
The total revenues available for allocation in FY2021 General Fund Budget is \$17,647,517 which represents an increase of 287,525 or 1.66% as compared to FY2020 adopted budget. This is

primarily the result of increased property values and a full year of an FPL Franchise Fee surcharge at 3%.

All other revenue categories including, permits and fees, and other miscellaneous revenues have conservative revenue variances. Intergovernmental revenues currently remain static as estimates are expected in mid to late July from the State. Changes to these revenues are expected due to the onset of Covid19.

II. EXPENSES

The FY2021 Proposed Expense Budget is \$287,525 or 1.66% more than the prior year's adopted budget. Many of the Town's services are provided through negotiated service contracts, public safety being the leading expenditure accounting for 49.08% 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, 6 part-time, 8 seasonal and 7 part-time seasonal positions. Currently there are 3 vacant positions which include a Procurement Specialist, CIP Manager, and a Zoning Official. At this time, the Town will defer filling these vacancies therefore creating a savings to our General Fund budget. This budget includes converting a part-time Marketing and Digital Services Specialist to a full-time position.

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 and a 3% in FY2020. **At this time, no cost of living adjustment is proposed in FY 2021.**
- **FRS Contribution** – The Florida Retirement System employer contribution rate increased from 8.47% to 10.00% for regular employees as of July 1, 2020.
- **Group Health Insurance** – Based on prior years' trend, we are anticipating a 10% increase in group health insurance premium.
- **Election Cost** – Funds have been allocated for the cost of piggybacking on Miami-Dade County's November 3, 2020 general election for 4 seats on the Council (\$13,706) and subsequent run-off election (\$47,134).
- **Committees** – If approved, the total Committees' budgets remain static, apart from the Special Needs Advisory Board, which receives funding from the Mayor's Gala donations. The FY 2021 budget provides for a total allocation of \$184,100 to the Committees.
- **Police Services** – The Police Department's Budget which includes contracted police patrol services and the school crossing guards, represents 49.08% of the Town's total General Fund Budget.

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

POLICE PATROL SERVICES	FY 2019-20 AMENDED BUDGET	FY 2019-20 YEAR-END PROJECTION	FY 2020-21 PROPOSED BUDGET	NET CHANGE FY20 AMENDED VS. FY21 PROPOSED	
- Police Salaries	\$4,722,257	\$4,679,537	\$4,666,926	(\$55,331)	-1%
- Overtime	340,000	363,285	365,000	\$25,000	7%
- Social Security	290,008	393,734	286,416	(\$3,592)	-1%
- Retirement	1,086,783	1,307,724	1,041,071	(\$45,712)	-4%
- Group Health Insurance	714,000	703,242	688,500	(\$25,500)	-4%
- Other fringe benefits	240,092	(68,665)	248,831	\$8,739	4%
Total Personnel Services	7,393,140	7,378,856	7,296,744	(\$96,396)	-1%
Fleet Maintenance & Operations	534,498	523,222	531,329	(\$3,169)	-1%
Insurance	279,300	278,324	279,300	\$0	0%
County Overhead Cost	496,062	470,212	428,627	(\$67,435)	-14%
TOTAL PATROL SERVICES	\$8,703,000	\$8,650,614	\$8,536,000	(\$167,000)	-1.9%

- **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. (\$198,700).
- **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 (\$285,516), Stormwater Utility (\$73,876), CITT Peoples Transportation Plan (\$67,500) and the six Neighborhood Service Districts (\$139,480).
- **Transfers** - The Proposed General Fund Budget includes the minimum \$150,000 annual transfer to the long-term infrastructure renewal and replacement fund. Also, a transfer to the Facilities Maintenance Fund of \$226,252 for administration's portion of Town Hall building expenses at 60% of total cost.

III. FUND BALANCE

In accordance with the Town's audited financials as reported in the FY2018-19 Comprehensive Annual Financial Report (CAFR), the General Fund unassigned fund balance at the beginning of FY2019-20 was \$4,222,958. From this amount, \$500,000 has been earmarked for Hurricane Irma expenses that are not expected to be reimbursed by FEMA. During the FY2019-20 budget process, Council approved an appropriation from reserved fund balance of \$431,317 to balance the budget and carried forward \$342,500 of legal reserves. During the current year, Council approved a carry

forward from the General Fund balance totaling \$146,660. This reduced the fund balance to \$2,802,481.

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, \$2,647,128 from the fund balance is required to remain as Reserves, which leaves the Town with an unrestricted reserve of \$155,353. However, during the November 2019 Council Meeting the Council instructed the Town Manager and Town Attorney to amend the Town Code to provide for a gradual three-year increase of the Town reserves from 15% to 20%. Beginning in 2022, the fund balance reserve shall increase to a minimum of 20%.

On June 1, 2020 the Property Appraisers office released its taxable value estimate which was expected to generate a total of \$7,746,851, however on July 1, 2020 they subsequently released a preliminary estimate that is expected to generate \$7,990,628 an increase of \$243,777. As a result of this increase the Town Manager is recommending that this amount be placed in a contingency reserve account and not be utilized. In not utilizing these funds will allow them to roll over into fund balance, therefore increasing it to \$3,046,258 or 17.26% of the total General Fund budget.

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, 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
FY2020-21 Proposed General Fund Budget Detail Line Item
FY2020-21 Proposed General Fund Position Summary