



City of Miami Gardens

Florida

July 27, 2005

*Office of
The City Manager*

CITY MANAGER'S BUDGET MESSAGE

Dear Mayor and City Council:

Enclosed is Miami Garden's proposed FY 2005-2006 annual budget. This past year has been exciting as we were operating under our first real budget and we are beginning to see the results of "city-hood." The coming year is also positioned to be another year full of promises fulfilled. Unfortunately, there is never enough funding to do all that needs to be done, let alone all that we would like accomplished, but I believe that we can make a positive difference.

The proposed budget reflects what I believe is the minimum funding necessary to move forward on our vision of Miami Gardens and to provide continued fiscal vitality for the City.

This proposed budget provides for slight **lowering** of the City's millage rate from 3.6484 to 3.6383 for FY 05-06. For residents, this means that if their home was reevaluated during the past year, they could still see up to a 3% increase in the tax bill. If their home was not reassessed, then their tax bill will be slightly lower than current year.

GENERAL FUND

The Budget Process

Staff began the FY-2006 budget process knowing that we are still "feeling" our way through starting a new city. We are still trying to find the right complement of employees and equipment to carry out our mission. As a result of County imposed charges, our finances for the past two fiscal years were continually under pressure. Predicting revenues, while better than last year, is still a problem. We now have a limited collection history for most of our revenue streams, but certainly not enough to make me feel comfortable; thus, it is still necessary for us to be conservative in our revenue projections.

Principal Financial Challenge Facing The City

As City Council knows, we still have little reserve funds, planned or otherwise. Last fiscal year, we established an emergency reserve fund to help us reach a fiscal responsible reserve within five years; however, because our reserves are so limited, the timing of our cash flow needs to be carefully managed, especially late in the fiscal year and early in the new fiscal year. As you know, most of our revenue comes in December and January with the payment of property taxes. Until these distributions arrive, we are operating on a very thin cash reserve. This problem will improve each year as we build up our reserve, but until then, we must watch our early spending.

The absolute minimum cash reserve a City should have would be an amount equal to two months of operations, or about 8% of the operating budget. Healthy cities, and cities that want to undertake capital projects, should have twice that amount. Most cities have from 16% to 24%. Many events can interrupt a city's revenue flow: Hurricanes, droughts and other natural disasters, economic downturns, and changes in laws, are just some of the possibilities. A healthy reserve is critical to meeting those and other unknowns. Another benefit of a healthy reserve is that it is a key factor in determining the City's bond rating. The quality of a city's bond rating has a direct impact on the cost to a

city to borrow monies for capital improvements. Finally, a healthy reserve is important in providing sufficient funds for operational cash flow.

A key feature of the proposed budget is continuing our planned build-up in our undesignated cash reserve to an appropriate level. In order to achieve this goal, the budget includes an allocation of \$500,000 dedicated to the building of a reserve. The table below illustrates this concept.

TABLE #1: Estimated Undesignated Fund Balance – FY-05 to FY-08

	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 07-08
Budget Allocation	500,000	500,000	500,000	500,000	500,000
FY 04 & FY 05 Year- End Reverted Funds	1,350,000*				
Cumulative Total in the Reserve	1,850,000	2,350,000	2,850,000	3,350,000	3,850,000
General Fund Total	33,345,628	37,725,781	40,546,965	43,385,253	46,422,220
% Reserve	5.54%	6.20%	7.03%	7.72%	8.29%

*Est 9/30/05

Other Challenges

Being a new municipality, the list of challenges facing the City is indeed long. Many of these are faced by all cities: the economy, mandates, resident demands, and crime to name a few. One unexpected challenge we faced in FY-05, and will continue to face in FY-06 is that of our Communications Service Tax receipts. As you know, we entered into an interlocal agreement with Miami-Dade County in FY-05 to provide us with this revenue “second hand.” In theory, we should be

receiving this revenue directly from the State of Florida. In actuality, we are directly receiving about one-fourth of the predicted revenue from the state. The balance (over \$3 million is being sent to Miami-Dade County. This is a result of private communications providers coding their payments incorrectly however, only the State can correct this problem).

The FY-06 budget brings in-house another City operation – The Recreation Division. Staff has high expectations for the department in the coming year. We expect to concentrate on establishing new programs to address glaring deficiency in girl's athletics. While our previous contractor, Cool Kids will no longer serve as our Recreation Department, the budget proposes to continue a modified agreement with them to provide specialty programs for youth. This allows us to take advantage of grant funding that is available to Cool Kids but not the City, and assists in an orderly transition.

The only major City operation still remaining on a contract basis is the City's finance department. In order to bring this in-house, we will have to purchase a general ledger system. Staff has been evaluating a number of systems and the FY-06 budget contains funding for its purchase. It is expected that the purchase and installation, including training staff, will take the better part of the coming year. We will also need to run parallel systems for several months before switching to the new system. We should be ready to bring the entire finance operation on board by October 2006.

Major Revenues

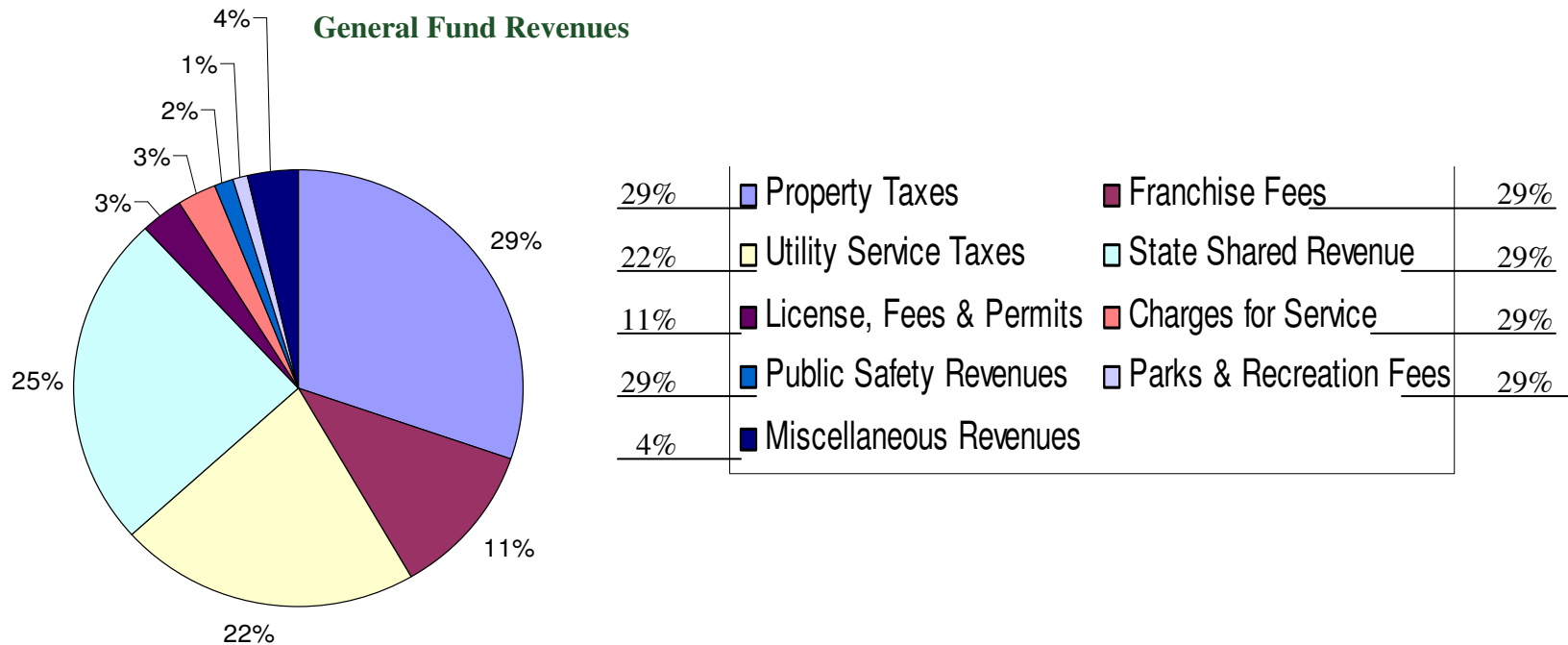
In building a budget, we usually look at revenues first. This is what we currently know about FY-06 revenue:

- Ad Valorem or Property Tax: Ad valorem or property taxes are taxes levied against the assessed value of real and certain personal property. In Miami-Dade County, each municipality sets a tax rate based on its needs and levies this as a dollar cost per \$1000 of taxable valuation. Property tax revenues for Miami Gardens for FY-06 increased by approximately 14% over FY-05. Using the new millage rate of 3.6384, property taxes are expected to generate \$12,038,242; however, state law requires us to only budget 95% of this figure, thus the net total expected is \$11,417,660. First year taxes on new FY-06 construction are estimated at \$134,668. This amount is not subject to rollback provisions.
- State Revenue Sharing: Created by the State of Florida to ensure revenue parity among local governments statewide, State Revenue Sharing is comprised of various State-collected revenues including a portion of the State's sales and gas taxes. The State Department of Revenue estimates that State Revenue Sharing is

expected to increase by 2.8% for FY-06 over FY-05. These figures were provided by the State. The City expects to receive \$4,152,538 for FY-06. Of this, 65% goes to the General Fund (\$2,699,150) and 35% goes to the Transportation Fund \$1,390,819).

- **Utility Franchise Taxes:** Franchise taxes are locally levied taxes designed to compensate the municipality for allowing private utility businesses within the City to use the City's rights-of-way to conduct their business. The Utility Franchise Tax is economy-based revenue. As an area grows, so does the revenue. They are also affected by weather, especially electric and water. Utility Franchise Tax receipts are expected to experience a moderate increase next year based on general economic estimates of future construction within the City as estimated by the City's building department. All franchise taxes except Solid Waste, are collected by Miami-Dade County on our behalf and remitted back to the City. This revenue is expected to be \$4,266,231 for the coming year or a 3.1% increase.
- **Utility Taxes:** Utility taxes are paid by the utility customer as a percentage of their bill for using the various utilities services – water, sewer, electric and communications. These taxes are collected by the County (except the Communications Service Tax which is collected by the State) and remitted to the City after the City's portion of a past General Obligation Bond payment is deducted (QNIP Bond). Because of a lack of distribution history on these revenues, the same 3.1% increase factor that was used with utility franchise taxes is being used here. The estimate for FY-06 is \$8,195,264.
- **Half-Cent Sales Tax:** The Half-Cent Sales Tax is levied as a percentage of the retail sales price on all goods and many services purchased in the private sector. For Miami-Dade County, the tax rate is 6 ½%. This tax is collected by the State of Florida and allocated to cities and counties by statutory formula largely based on population. Miami Gardens expects to receive \$6,579,548 million from this source in FY-06. This is an expected increase over FY-05 of only 1.6%, no doubt reflecting a smaller increase due to our relative slow population growth verses overall higher statewide growth rates.
- **Other Local Revenues:** Locally derived revenues form a major component of our City budget. These revenues include occupational licenses, alarm and landlord permits, certificates of use, parks and recreation fees, other operational revenues, and fines and forfeitures. Some of these revenues are collected by the County, while others are directly collected by the City. Because FY-05 was our first year in collecting these revenues, we

have been conservative in forecasting a modest increase based on limited trend information. FY-06 will also see the addition of a new revenue to this mix: The Landlord Certificate Program. Many of these are economy-sensitive and we believe that a strong local economy, coupled with the new revenue, will boost such revenues by 50%. Total other local revenue is estimated at \$1,162,054.

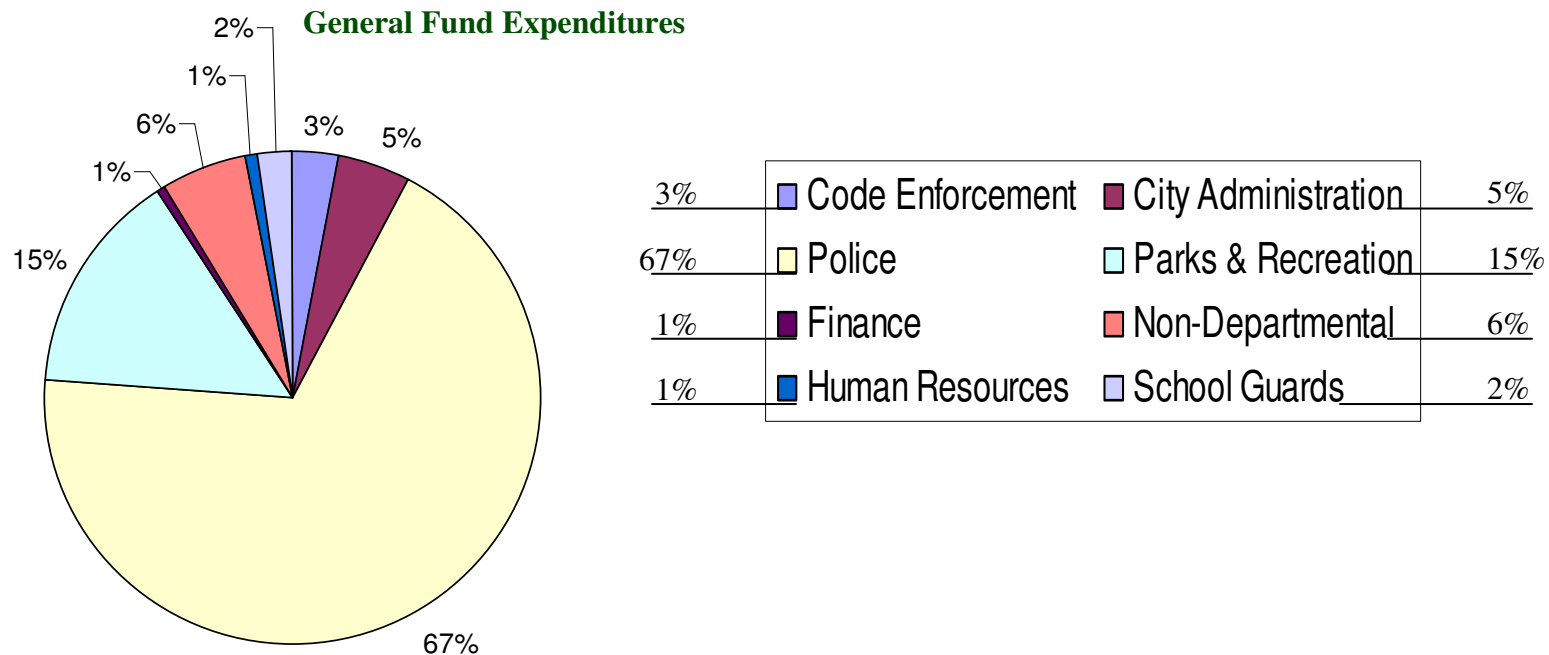


The above revenues represent 91% of total General Fund Revenues. Other smaller revenues include such items as fines, fees, internal service charges, and County-shared revenues.

Expenditures

The other side of constructing a budget is expenditures. Some increases in expenditures are automatically built into any subsequent year's budget. The largest of these are generally employee costs such as increased staffing levels, cost-of-living increases, merit increases, and increases in employee benefit expenses. This year, most of the personnel-related increases are a result of these factors and the addition of Recreation department employees.

The budget does contain a reserve for employee salary increases for FY 05-06. This includes a proposed 2 ½% cost-of-living allowance adjustment (COLA), a funding pool for merit increases, and a small reserve for market adjustments if needed.



Transfers

Transfers represent internal City transactions between City Funds. For some Funds, transfers appear as revenues while other times, they appear as expenditures. This budget contains transfers from the Transportation Fund, Development Services Fund, General Services Fund, Special Projects Fund and the Capital Projects Fund to the General Fund for the various services provided (personnel, finance, legal, management and legislative support, etc). In addition, a percentage allocation system was used, based on the overhead charged to the City by the County in our interlocal, to allocate costs of the General Services Fund for other internal services (Purchasing, Fleet, IT, etc).

Non-Personnel-Related Increases

In addition to personnel increases, the following areas involve major increases over the FY-05 budget. Some of these increases are due to the new operations and programs.

- Equipment. Start-up equipment for recreation.
- Supplies. Start up supplies for the new positions.
- Capital Project Reserve. The FY 04-05 budget established a dedicated Capital Improvement Project Fund (CIP). The Capital Projects Fund was initiated with a dedicated tax increase of \$500,000. No projects were undertaken from these funds in this first year so that the funds accrued could be held as an emergency reserve and cash flow reserve until such time as the general fund accumulates sufficient fund balance to meet these purposes. The FY 05-06 budget proposes the same \$500,000 allocation to the CIP Fund. This year, funds from this allocation will be used to pay the principal and interest on the \$7.5 million capital project bonds issue in FY 05. Other construction grant projects are also budgeted and accounted for in this fund such as the County's Safe Neighborhood Parks bond projects and the County G.O. Bond projects.

GENERAL FUND SUMMARY

The recommended FY 05-06 budget provides for what I believe is the minimum level of City operations necessary to responsibly carry out our duties, to address our fiscal and fiduciary responsibilities, and to provide the foundation for the vision our residents had when they incorporated. This budget requires maintaining a level tax rate, which was the custom when this area was unincorporated. This allows for a small increase in revenue to meet inflationary pressures while

giving residents predictability in their taxes. This rate is the minimum that I believe is necessary to carry out all of the City's activities in a responsible and fiscally prudent manner, and to continue Miami Gardens as a viable city for the future. While no one likes taxes, this rate is still one of the lowest rates in the Miami-Dade or Broward County area.

TRANSPORTATION FUND

The good news for FY 05-06 is that the Transportation Fund remains relatively healthy. This is in large part due to the fact that the state has enacted certain shared taxes that are restricted to transportation uses only. These include the two local option gas taxes, and the state-mandated 65%-35% split of the State Revenue Sharing (SRS) revenue – 65% goes to the General Fund and 35% goes to the Transportation Fund. Because of these dedicated revenues, we will have sufficient revenue to continue Public Works' programs to improve the City's streets, and to initiate several important programs, including major right-of-way landscaping programs for the City.

Revenues

The Transportation fund has three principal sources of revenue comprising 94% of total Fund revenue. Two of these are local gas taxes enacted at the County level and shared with the municipalities. The first Local Option Gas tax is a 3-cent per gallon levy and is expected to bring the City \$619,584 in revenue for FY-06. This is an increase of 3.3% over FY-05. This estimate is provided by Miami-Dade County. The second Local Option Gas Tax is also estimated by the County and the City's FY 05-06 allocation is estimated to be \$1,581,834 or a 2.3% increase over FY-05.

The third major revenue of the Transportation Fund is State Revenue Sharing. State statutes require that 35% of all City allocated State Revenue Sharing must be used for transportation expenses. The other 65% is revenue to the General Fund. State Revenue Sharing is estimated by the State to be \$1,390,819 for FY-06. This is a 3% increase over FY-05. Total Transportation Fund revenues (excluding Fund Balance Forward) are expected to increase by 3% over current year. All of these revenues are economy-based and vigilance must be maintained during the year to ensure receipts are reflecting budgeted amounts.

Expenditures

Because almost all of the activities of the City's Public Works Department concern roads and road rights-of-way, the entire operation of the Public Works Department is budgeted within the Transportation Fund. The *Keep Miami Gardens Beautiful* program continues in the new budget with some enhanced funding for beautification projects. The budget continues programs for street paving, new bus benches, and sidewalk repair, as well as for major right-of-way landscaping efforts. Traffic signs and signals continue to be maintained by Miami-Dade County as they are funded through countywide millage.

DEVELOPMENT SERVICES FUND

The City's Development Services Fund was created to account for those activities that are principally designed to serve the City's development community. The Fund consists of the two operating departments: The Planning and Zoning Services Department and the Building Services Department.

The Planning & Zoning Services Department is itself divided into two divisions: Comprehensive Planning and Current Planning. The Comprehensive Planning Division is responsible for developing the City's first Comprehensive Development Master Plan and for processing amendments to the existing County Comprehensive Plan as they apply to the City. The Current Planning Division handles re-zoning requests, the Federal Flood Insurance Program, and other developer-related activities.

The Building Services Department is responsible for administering the Florida Building Code. Its activities include development plan review and building inspections during construction.

Revenues

Generally, these developer-related activities generate sufficient income to cover their associated costs. Total expected revenues based on one year of history in our area are estimated to be \$2,537,183, including fund balance appropriated. The 15% surcharge imposed on all Fund services is recommended to be continued in the FY-06 budget to begin accumulating sufficient funds to pay for the Building Department's share of a proposed City Hall when it is built. This is expected to bring in an additional \$56,320.

Expenditures

Most expenditures in this Fund are salary related. While most of the costs are for in-house staff, the Building Services Department contains funds for the contracting of inspections and plan review services conducted by several contracted private firms. While we have expanded our in-house capabilities, it is still necessary to contract for some of the more specialized services.

STORMWATER UTILITY

Operation of the City of Miami Gardens Stormwater Utility is proposed to be assumed from Miami-Dade County during the FY 05-06 fiscal year. Staff will be hired and the department will move forward with appropriate projects. The City has been successful in receiving several grants to supplement City funds.

Revenues

The majority of revenue for the Stormwater Utility comes from the Stormwater Utility Tax imposed on resident's utility bills. This tax is \$4 per Residential Equivalent Unit (REU). There are approximately 70,000 REUs in Miami Gardens. Tax revenues are expected to be \$3,360,000. When we assume this operation from Miami-Dade County, we will keep have chosen to continue the same rate.

Expenditures

Expenditures in the Stormwater Utility involve operation (Staff) and projects. For FY 05-06, several major projects have been scheduled These include a grant awarded project for drainage on NW 175th Street. The current budget does not break down these expenditures. At the time of assumption, staff will bring a revised budget to City Council.

GENERAL SERVICES FUND

This year we are adding a new Fund to the City's financial architecture – The General Services Fund. Unlike the other non-General Fund funds, which essentially stand alone and are audited as separate entities, the General Services Fund is what is called an internal service fund. It acts as a service agency for the City's fleet and equipment. This is helpful in tracking and accounting for items that cross all departments.

In addition, the General Services Fund is responsible for vehicle maintenance. This provides a central point where the City can monitor vehicle performance and coordinate preventative and unscheduled maintenance. Large, costly accounts for the City's Information Technology operations are also budgeted here to minimize the financial impact in any one year.

Also included in this fund is the City's Purchasing Department. From an accounting perspective, when the City's audit is done, this fund, unlike the other Funds, is consolidated with the General Fund.

Revenues

Revenue to the General Services Fund comes from several sources. The primary revenue is the bank loan that was taken out to finance new vehicle and equipment purchases. In FY 04-05, the City issued a bank qualified bond in the amount of \$2.5 million for equipment purchases). In addition to loan revenue, the various departments make "payments" into the fund for the vehicles and equipment they purchased in the prior year and other services and large city-wide expenditures such as rent and utilities. The vehicle payments include principal, interest and an administrative fee to cover the cost of the fund's operating expenses. Finally, some revenue may come to the fund from outside grants that are received to purchase vehicles and equipment.

Expenditures

The General Services Fund's principal expenditures are for the purchase of budgeted vehicles and equipment. This includes cars, trucks and other major rolling stock, and major non-vehicular equipment such as computer hardware and software and to repay the bond principal and interest from the initial loans.

Any capital equipment having a life of five years and an initial cost of \$10,000 or more, is paid from this fund and not directly from the requesting department's budget.

In addition to vehicle and equipment purchases, this internal service fund is used to account for a number of expenditures that are internal and citywide in nature such as utility bills, vehicle maintenance, and liability insurance. Bills are paid from this Fund and payments are collected from the various departments in proportion to their use.

BUDGET SUMMARY

Fiscal year 2004-2005 was a whirlwind of activity for the City. Starting the new departments of Building, Planning & Zoning, parks maintenance and Public Works have all been challenging and rewarding. Seeing things finally happening in the community have made all of the hard work over the past two years well worth while. The County's unconscionable demand that the City pay for Countywide specialized police services directly from our budget, while other 30 cities in the County receive this service through their countywide taxes, continues to place an unfair and discriminatory burden on Miami Gardens' residents unlike that of any other City in Miami-Dade County, and clouds the promise of better relations.

The coming year promises to continue the exciting start we had this past year. Under the proposed budget, we will be setting the stage for a true transformation of our community.

Final Thoughts

The future of the City of Miami Gardens is full of promise and hope, now more than ever. FY 05-06 will mark the end of developing our first Comprehensive Development Master Plan. This process, and resulting document, will be a key element in the future of the City. Through scores of neighborhood meetings, community surveys, charrettes and workshops, and other data gathering techniques, residents, businesses, elected officials have defined and refined the City's future vision. This shared vision will shape our future actions as a community. No process in a City's evolution is more important than this.

Miami Gardens remains one of the lowest taxed cities in Miami-Dade or Broward counties (see chart below). This is good for our residents, and good for the future. This enables us to remain fiscally strong with the flexibility to deal with whatever challenges and opportunities that we may face in the future.

City	Population	Tax Rate in Mills	Per Capita Burden
Miami	379,550	8.8500 mills*	\$418
Homestead	36,501	7.7500 mills	\$386
North Miami	60,101	8.5000 mills	\$323
North Miami Beach	42,359	7.5000 mills	\$343
Miami Beach	91,540	7.2990 mills	\$1,391
Hialeah	233,566	6.1200 mills*	\$155
Opa-Locka	16,116	9.8000 mills*	\$284
Miami Gardens (Proposed)	105,414	3.6384 mills	\$114

* FY 05 figure

A major challenge that we constantly face is that most of our revenues are economy-based. We saw in the recent past what happens when the economy goes through a recession. While the economy has picked up from the dark days of the past few years, it would not take much negative news to once again plunge us into another recession. This is why it is critical that the City build an appropriate reserve so that we can temper any major downturn in revenue.

Finally, I sincerely thank the Mayor and City Council for the continuing opportunity to serve you and the residents of Miami Gardens as your City Manager. It is a privilege and honor I share with the other members of your City staff. I know that by working together, we can make the future of Miami Gardens truly something special.

I also want to thank my staff for the hard work in preparing this budget and especially to Denise Williams and to Chris Wallace and his staff at New Community Strategies for their assistance in this effort.

Respectfully Submitted,

Dr. Danny O. Crew
City Manager