

MIAMI BEACH

COMMITTEE MEMORANDUM

TO: Finance and Economic Resiliency Committee Members

FROM: Eric Carpenter, City Manager

DATE: June 13, 2025

TITLE: FISCAL YEAR 2026 PRELIMINARY OPERATING BUDGET AND MILLAGE RATE UPDATE

RECOMMENDATION

The City Administration (Administration) recommends that the Finance and Economic Resiliency Committee ("FERC" or "Committee") discuss this item and provide input.

BACKGROUND/HISTORY

See information provided below

ANALYSIS

The preliminary budget for the City of Miami Beach represents the cost of providing the same level of services as in the prior year and serves as the baseline of funding for the annual budget development process.

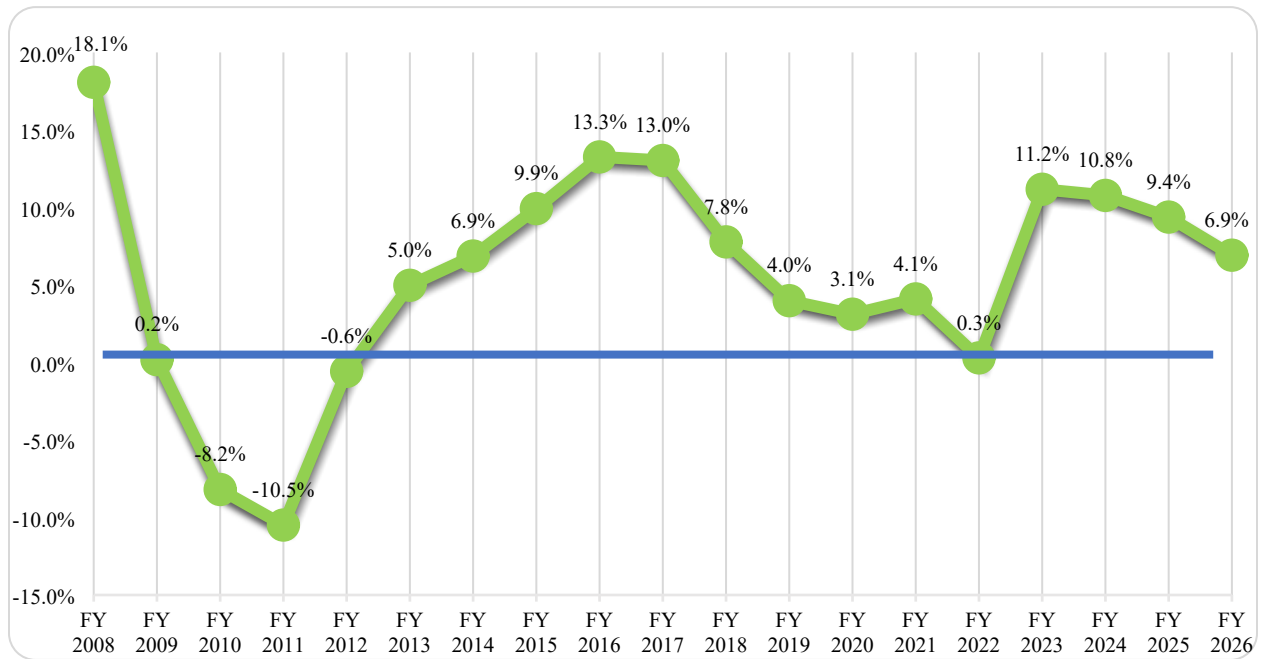
The General Fund is the primary source of funding for many City services that are provided such as Police and Fire, as well as Parks and Recreation, Public Works, Code Compliance, among other services. Revenues that fund the various City services in the General Fund are comprised of ad valorem property taxes, franchise and utility taxes, business license and permit fees, revenue sharing from various statewide taxes, intergovernmental revenues from Miami-Dade County, user fees for services, fines, rents and concession fees, and interest income. Additionally, the City's 2% Resort Tax Fund contributes funding annually for tourism-related services provided by General Fund departments.

PROPERTY VALUES

On May 30, 2025, the City received the 2025 Estimated Taxable Values from the Miami-Dade County Property Appraiser indicating that the overall taxable values for the City of Miami Beach increased approximately \$3.9 billion, or 6.9%, from the 2024 Certified Taxable Value of \$56.4 billion to the 2025 Estimated Taxable Value of \$60.3 billion.

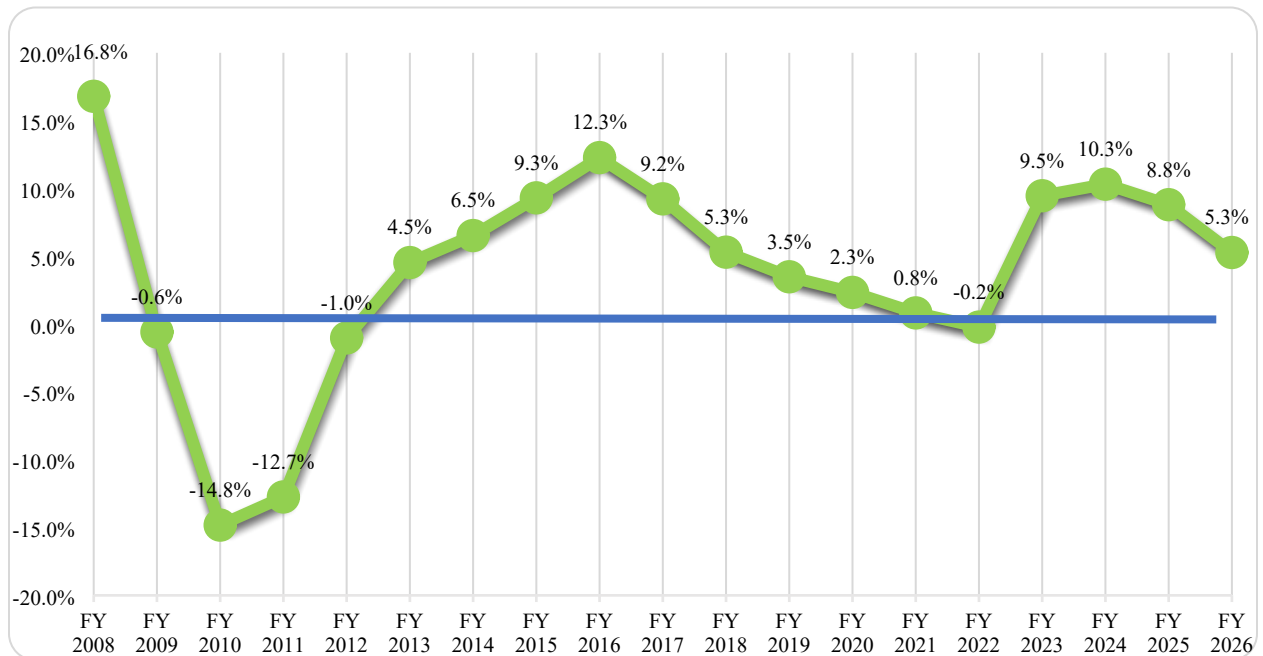
While the City's overall preliminary taxable values did increase by \$3.9 billion, or 6.9%, compared to the prior year, overall taxable property values within the City have been increasing at a diminishing rate since FY 2023, as depicted in the property value trend chart below.

Overall Property Value Trend

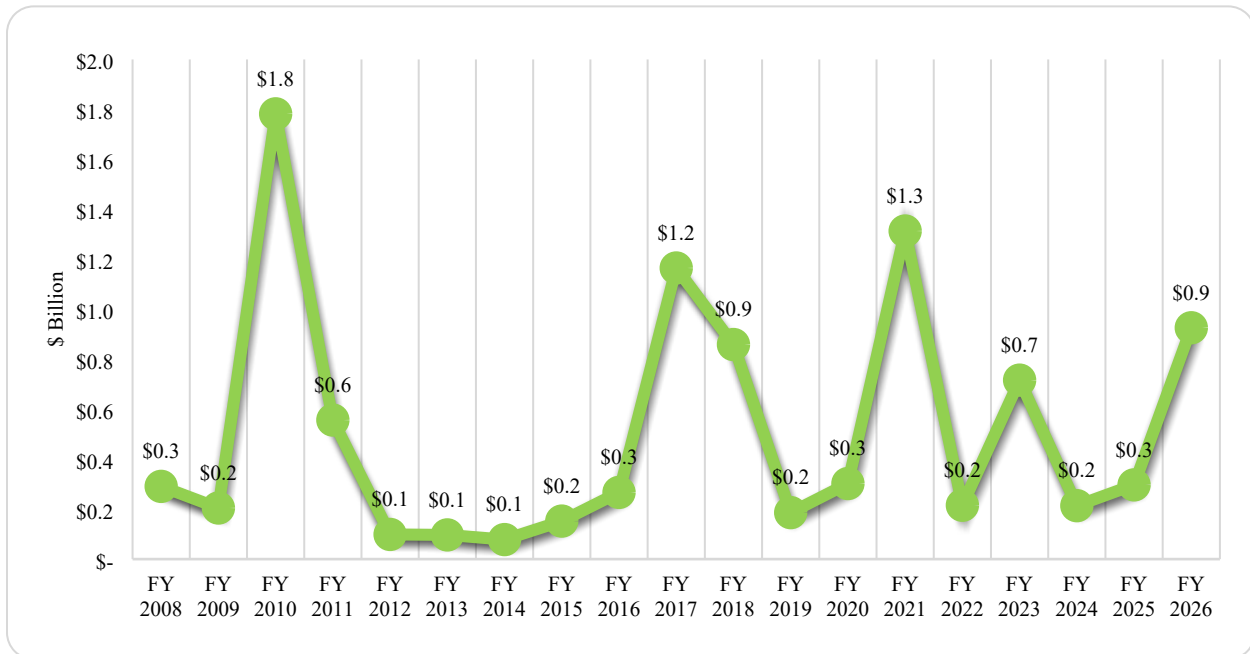


The estimated overall increase in values of \$3.9 billion, or 6.9%, is comprised of a \$3.0 billion, or 5.3%, increase in existing property values and a \$0.9 billion increase in new construction values.

Existing Property Value Trend



New Construction Value Trend



PRELIMINARY GENERAL FUND BUDGET

At the Fiscal Year (FY) 2026 Commission Budget Retreat on May 27, 2025, the Mayor and City Commission were briefed regarding the Preliminary FY 2026 General Fund budget.

As a reminder, the Preliminary FY 2026 General Fund budget assumes the following:

1. No change in the General Operating millage rate (excludes voted debt service millage)
2. Does not include any enhancements or reductions for consideration in the FY 2026 budget
3. Assumes an 8% increase in City premiums for Police and Fire health and life insurance (actives and retirees)
4. Assumes a 5% increase in City premiums for all Non-Police and Fire health and life insurance (actives and retirees)
5. Includes an average 2.0% merit for all groups, except 5.0% and 4.0% Steps (where applicable) for Police and Fire
6. Includes a 3.0% cost-of-living adjustment and/or changes in pays/benefits based on the City's approved collective bargaining agreements
7. Includes a 2.8% increase in applicable City fees that are indexed to the Consumer Price Index (CPI) in accordance with Ordinance No. 2019-4299

8. General Fund	FY 2026 Budget Retreat
Revenues	\$458,717,000
Expenditures	476,008,000
Surplus/(Gap)	(\$17,291,000)
Preliminary Decrease in Resort Tax Contribution	(1,695,000)
Revised Surplus/(Gap)	(\$18,986,000)

Based on the 2025 Estimated Taxable Property Values received on May 30, 2025, the overall increase in property values would result in a preliminary estimated increase of approximately \$18.8 million in General Fund property tax revenues, which is comprised of \$18.2 million for operating purposes, \$0.3 million for Pay-As-You-Go (PayGo) capital funding, and \$0.3 million for Capital Renewal & Replacement (CRR) funding.

Since the City does not receive the property values for the City Center and North Beach Redevelopment Areas, specifically, until the Miami-Dade County Property Appraiser provides the certified values on July 1, 2025, it is important to emphasize that the impact of the overall change in the City's property values on General Fund property tax revenues may vary depending on how property values have changed within the City's two existing redevelopment areas compared to the values outside of these two areas. As a result, the impact of the overall increase on General Fund property tax revenues may differ from the overall 6.9% increase in the City's total property values.

General Fund	FY 2026 Budget Retreat	FY 2026 Based on June 1 st Values	\$ Change
Revenues	\$457,022,000	\$475,843,000	\$18,821,000
Expenditures	476,008,000	476,614,000	606,000
Surplus/(Gap)	(\$18,986,000)	(\$771,000)	\$18,215,000

The Preliminary FY 2026 General Fund budget will be updated again following distribution of the 2025 Certified Taxable Values that will be provided by the Miami-Dade County Property Appraiser on July 1, 2025. In addition, recommendations regarding balancing of the General Fund budget for FY 2026, which may include revenue and/or expenditure refinements, as well as expenditure enhancements and/or efficiencies and reductions, will be presented and discussed at the upcoming Finance and Economic Resiliency Committee (FERC) Budget Briefing on July 11, 2025.

Unfunded Capital Needs

In an effort to meet the City Commission's goal of funding 5% of the annual General Fund operating budget for capital needs in accordance with Resolution No. 2006-26341, the preliminary FY 2026 General Fund also includes the following:

1. General Fund Interest Income for Capital Projects
Allocates 30%, or approximately \$2.4 million, of the total projected FY 2026 interest income in the General Fund for one-time capital expenditures in accordance with the enhancement that was approved by the Mayor and City Commission for FY 2025.
2. Projected General Fund Golf Course Surplus for Capital Projects
Allocates the projected FY 2026 surplus from the operations of the Miami Beach and Normandy Shores golf courses of approximately \$1.6 million to be transferred to the Capital Pay-As-You-Go (PAYGO) Fund in order to allow for the partial funding of the Miami Beach Golf Course Renovation project that has a total project budget of \$9.2 million, of which \$3.3 million was appropriated in prior years.

PRELIMINARY RESORT TAX BUDGET

The Resort Tax Fund is a Special Revenue Fund that consists of three main components:

1. A 2% Resort Tax that is comprised of a 2% Bed Tax and 2% Food & Beverage Tax
2. A 1% Bed Tax for Quality of Life (QOL) capital projects, transportation initiatives, and arts and culture
3. A 1% Bed Tax for the repayment of outstanding debt service for Resort Tax bonds issued as part of the most recent Convention Center renovation and expansion project, as well as funding for renewal and replacement of Convention Center assets

At the FY 2026 Commission Budget Retreat on May 27, 2025, the Mayor and City Commission were also briefed regarding the Preliminary FY 2026 2% Resort Tax budget. Based on actual 2% Resort Tax collections as of April 2025, which assume FY 2026 Resort Tax collections to remain flat over FY 2025 projections and the offsetting expenditure adjustments that were presented at the May 27, 2025 Commission Budget Retreat, the Preliminary FY 2026 2% Resort Tax budget is currently balanced.

	FY 2026 2% Resort Tax
2% Revenues	\$74,876,000
2% Expenditures	74,876,000
Surplus/(Gap)	(\$1,695,000)
Preliminary Decrease in General Fund Contribution	1,695,000
Revised Surplus/(Gap)	\$-

Revenue and expenditure refinements, as well as expenditure enhancements and/or efficiencies and reductions that may be considered and recommended as part of the FY 2026 2% Resort Tax budget will be presented and discussed at the upcoming FERC Budget Briefing on July 11, 2025.

PRELIMINARY MILLAGE RATES

There are two (2) main components to the City's Total Combined millage rate, which are the General millage rate and the Voted Debt Service millage rate. The General millage rate, which is comprised of a General Operating, Capital Renewal and Replacement (CRR), and Capital Pay-As-You-Go (PayGo) millage, funds General Fund operating and capital expenditures, while the Voted Debt Service millage rate funds the annual debt service for outstanding General Obligation (G.O.) bonds.

The General millage rate for FY 2026 of 5.8522 mills provides funding to offset increases in personnel costs, such as the annual required pension contributions, a five (5) and four (4) percent (%) step increase (where applicable) for all Fraternal Order of Police (FOP) and International Association of Fire Fighters (IAFF) positions, a 0-3% performance-based merit increase for all non-FOP and IAFF positions, an increase in the City's health insurance premiums for active employees and retirees, as well as increases in other General Fund operating expenditures and dedicated funding for General Fund capital projects.

The Voted Debt Service millage rate provides funding for the annual debt service relating to the first tranche (Series 2019) of the G.O. Bond that was approved by the voters on November 6, 2018 and the annual debt service for the first tranche (Series 2023 A&B) of the Arts and Culture G.O. Bond that was approved by the voters on November 8, 2022.

Recommendations regarding the preliminary FY 2026 millage rates below will be provided once the Certified Taxable Values are provided by the Miami-Dade County Property Appraiser on July 1, 2025.

	FY 2025 Adopted	FY 2026 Preliminary	Inc / (Dec)
General Operating	5.6636	5.6636	0.0000
Capital Renewal & Replacement (CRR)	0.0866	0.0866	0.0000
Capital Pay-As-You-Go (PayGo)	0.1020	0.1020	0.0000
Total General Millage	5.8522	5.8522	0.0000
Voted Debt Service	0.2959	0.2959	0.0000
Total Combined Millage	6.1481	6.1481	0.0000

TRUTH-IN-MILLAGE PROCESS

At the July 23, 2025 City Commission meeting, the Mayor and City Commission will set the proposed millage rates for the FY 2026 budget process in accordance with the State of Florida's Truth-in-Millage (TRIM) requirements.

By August 4, 2025, taxing authorities are required to certify the proposed millage rates to the Miami-Dade County Property Appraiser. The proposed millage rates will be included in the TRIM notices that will be mailed by the Property Appraiser by August 24, 2025. The purpose of the TRIM notice is to notify property owners of how much their property taxes could potentially increase or decrease, and which governmental entity is responsible for the taxes levied.

The proposed millage rates effectively set the "ceiling" for the millage rates during the budget process because they cannot be increased without sending out a new TRIM notice to all property owners in Miami Beach. However, the millage rates can remain the same or be decreased throughout the remainder of the FY 2026 budget process until the final millage rates are adopted by the Mayor and City Commission at the second public hearing currently scheduled to be held on September 30, 2025, at 5:01 p.m.

FISCAL IMPACT STATEMENT

N/A

Does this Ordinance require a Business Impact Estimate?

(FOR ORDINANCES ONLY)

The Business Impact Estimate (BIE) was published on .

See BIE at: <https://www.miamibeachfl.gov/city-hall/city-clerk/meeting-notice/>

FINANCIAL INFORMATION

See information provided above

CONCLUSION

The Preliminary FY 2026 General Fund budget will be updated again following the distribution of the Certified Taxable Values that will be provided by the Miami-Dade County Property Appraiser on July 1, 2025. Recommendations regarding balancing of the FY 2026 budgets, including revenue and expenditure refinements, as well as expenditure enhancements and/or efficiencies and reductions, may be presented and discussed at the upcoming FERC Budget on July 11, 2025.

At the July 23, 2025 City Commission meeting, the Mayor and City Commission will set the proposed millage rates for the FY 2026 budget process in accordance with the State of Florida's Truth-in-Millage (TRIM) requirements.

In September, two public hearings will be held per the State of Florida's TRIM requirements. The first public hearing currently scheduled on September 17, 2025 will be to adopt the tentative millage rates and budgets for FY 2026. The second public hearing currently scheduled on September 30, 2025 will be to adopt the final millage rates and budgets for FY 2026, including the final budgets for the City Center Redevelopment Area and North Beach Redevelopment Area. Both public hearings, which will begin at 5:01 p.m., will be held in the City's Commission Chambers at 1700 Convention Drive, 3rd Floor, Miami Beach, Florida 33139.

EC/JDG/TOS/RA

Applicable Area

Citywide

Is this a "Residents Right to Know" item, pursuant to City Code Section 2-17?

Yes

Is this item related to a G.O. Bond Project?

No

Was this Agenda Item initially requested by a lobbyist which, as defined in Code Sec. 2-481, includes a principal engaged in lobbying? No

If so, specify the name of lobbyist(s) and principal(s):

Department

Management and Budget

Sponsor(s)

Co-sponsor(s)

Condensed Title

Fiscal Year 2026 Preliminary Operating Budget and Millage Rate Update