

C4 X REFERRAL TO THE FINANCE AND ECONOMIC RESILIENCY COMMITTEE -
DISCUSS IMPLEMENTING A FLAT BUDGET WITH A CPI ADJUSTMENT TO
FULLY FUND INFRASTRUCTURE, LOWER PROPERTY TAXES, AND CONTROL
GENERAL FUND SPENDING.

Applicable Area:



COMMISSION MEMORANDUM

TO: Honorable Mayor and Members of the City Commission

FROM: Commissioner David Suarez

DATE: March 19, 2025

TITLE: REFERRAL TO THE FINANCE AND ECONOMIC RESILIENCY COMMITTEE - DISCUSS IMPLEMENTING A FLAT BUDGET WITH A CPI ADJUSTMENT TO FULLY FUND INFRASTRUCTURE, LOWER PROPERTY TAXES, AND CONTROL GENERAL FUND SPENDING.

RECOMMENDATION

BACKGROUND/HISTORY

In recent years, the City of Miami Beach's budget has expanded significantly, with the General Fund growing nearly 40% since 2021—from \$329 million in FY 2021 to \$456 million in FY 2025. With the budget growing an average of 31% beyond inflation annually since 2007, it is evident that inflation alone is not driving this rapid expansion. Instead, skyrocketing labor costs from union contracts and the hiring of hundreds of additional city employees have been the primary drivers. Meanwhile, economic indicators, the election of a resident-friendly property appraiser, and potential state action to limit property tax collection signal a future slowdown in revenue growth. The current decline in resort tax revenues combined with future projections of slower property value growth will adversely impact City revenues. Without decisive action, Miami Beach risks financial instability, tax increases, and potential cuts to essential services in the future.

More alarmingly, the rapid expansion of the General Fund, driven by rising property tax revenues, has intensified a "perfect storm" of unaffordability for Miami Beach residents: Increasing property taxes, steep proposed hikes in water and stormwater rates, FPL's largest-ever proposed electric rate increase, and soaring condo fees and insurance costs are placing significant financial strain on both residents and businesses. Recognizing these warning signs, Miami-Dade County recently implemented a hiring freeze, paused management raises, and initiated budget reduction measures—highlighting the urgent need for municipalities such as Miami Beach to follow their lead and adopt a more fiscally responsible approach.

The IRL Budget Proposal presents a responsible, forward-thinking plan to stabilize Miami Beach's finances by prioritizing infrastructure investment, lowering the property tax millage rate, and capping budget growth at inflation (CPI).

ANALYSIS

Current Budgetary Challenges

The City of Miami Beach's rapid spending growth is unsustainable and could lead to long-term financial instability. The General Fund has expanded far beyond inflation, driven by increasing personnel costs, service expansions, and a lack of spending restraint. Meanwhile, resort tax revenues—one of the city's primary revenue streams—are beginning to decline, while property value growth is projected to slow, reducing the city's ability to rely on ever-increasing tax

revenues.

Other local governments, such as Miami-Dade County, are already responding to economic uncertainties. The County has implemented a hiring freeze, paused management raises, and requested that all departments identify ways to cut budgets by 10%. The City of Miami Beach should consider similar measures to ensure long-term financial sustainability.

Affordability Concerns

Residents and businesses are facing unprecedented financial pressures due to rising costs across multiple sectors. Specifically:

- Rising property values are driving up property taxes, putting financial pressure on homeowners, renters, and businesses alike.
- The City has proposed steep water and stormwater rate increases to compensate for past mismanagement.
- Florida Power & Light (FPL) is proposing its largest-ever electric rate increase.
- Condo fees and insurance costs have skyrocketed, making homeownership increasingly unaffordable.

Without proactive measures, these financial pressures could push long-term residents out of Miami Beach and force businesses to close, worsening the city's vacant storefront crisis and unprecedented trend of population decline.

Proposed Budgetary Solutions

To address these challenges, the IRL Budget proposes three key actions:

1. **Invest** – Dedicate 5% of the General Fund to capital improvements, a longstanding recommendation of the CFO, to ensure critical infrastructure projects receive much-needed funding. Investments in infrastructure are preferable to the recurring costs of expanding personnel, and can also serve as a financial cushion in the event of a crisis or economic downturn.
2. **Reduce** – Lower the property tax millage rate to slow the growth of property tax burdens on residents and businesses.
3. **Limit** – Limit General Fund budget growth to inflation (CPI), currently 2.8%, to curb reckless spending increases. Higher revenues too often lead to unnecessary and wasteful expenditures.

By implementing these measures, the city can maintain essential services while avoiding excessive taxation and financial instability.

FISCAL IMPACT STATEMENT

The IRL Budget Proposal would limit the FY 2026 General Fund budget to current FY 2025 levels, with an inflation-based adjustment tied to CPI (currently 2.8%). This approach would:

- Prevent unnecessary budget growth while allowing for essential cost-of-living adjustments.
- Fund anticipated expenses, including a \$5-6 million impact from the transition to an elected Tax Collector's Office.
- Allocate a full 5% of the General Fund to capital improvements, addressing long-overdue infrastructure needs.
- Reduce the burden on taxpayers by lowering the millage rate and preventing excessive tax increases.

The proposal does not impact the Capital Improvement Fund (which is funded through voter-

approved bonds) or proprietary funds such as Water/Sewer, Sanitation, Parking, the Building Department, or the Convention Center, which operate through user fees.

Does this Ordinance require a Business Impact Estimate?

(FOR ORDINANCES ONLY)

If applicable, the Business Impact Estimate (BIE) was published on:

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

FINANCIAL INFORMATION

CONCLUSION

The IRL Budget provides a responsible, forward-thinking approach to financial stability in Miami Beach. By investing in infrastructure, reducing tax burdens, and limiting unsustainable budget growth, the city can protect residents from rising costs while maintaining essential services.

Miami Beach has already taken a stand against out-of-control Spring Break crowds with the “Spring Break Reality Check.” Now, it’s time for a “Budget Reality Check.” The choice is clear: we can either continue reckless spending and risk financial instability, or we can adopt a fiscally responsible approach that ensures long-term sustainability, affordability, and resilience for Miami Beach residents. The IRL Budget is the right path forward.

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

Office of Commissioner David Suarez

Sponsor(s)

Commissioner David Suarez

Co-sponsor(s)

Condensed Title

Ref: FERC - Flat Budget w/ CPI Adjustment to Fund Infrastructure/Lower Property Taxes/Control Spending. (Suarez)

Previous Action (For City Clerk Use Only)