




## Office of Policy and Budgetary Affairs

### MEMORANDUM

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**TO:** Honorable Chairman Oliver G. Gilbert, III  
and Members, Board of County Commissioners

**DATE:** August 31, 2023

**FROM:** Jennifer Moon, Chief   
Office of Policy and Budgetary Affairs

**SUBJECT:** FY 2023-24 Proposed Budget Review

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As part of our responsibilities delineated in County Code and our annual Work Program, the Office of Policy and Budgetary Affairs (OPBA) staff has thoroughly examined the FY 2023-24 Proposed Budget and met with staff of the Office of Management and Budget (OMB) to review the document and discuss challenges and opportunities in the upcoming fiscal year. The attached provides preliminary information based on requests received by OPBA.

For various reasons, although the value of the property tax roll and other revenues grew significantly, funding for new projects and programs or enhanced levels of services is limited. Personnel costs were increased in the Proposed Budget for anticipated labor negotiations and other operating expenses have also grown due to inflation. As you prepare for the budget hearings, feel free to reach out to our office to determine whether adequate funding is included in the Proposed Budget for your priority projects and programs.

While the required Budget Townhall meetings have been held, the budget hearings are the most utilized occasion for the public to address their concerns with the County's spending plan and will likely convey what is most important for the community. At the First Budget Hearing, both the public and the Board of County Commissioners (BCC) will have the opportunity to provide feedback to the Mayor on her Proposed Budget. Between the budget hearings, in conversations with Commissioners, the Mayor and OMB can formulate solutions to fund the highest priority unfunded projects and programs. Through the budget amendments listed in the "change memo" for the Final Budget Hearing, funding will be reallocated to address as many of the identified priorities as possible. Amendments agreed upon by both the Mayor and the BCC have the highest likelihood of successful implementation.

It is important that as you consider and approve the FY 2023-24 Budget, you are aware of the impacts of the decisions that are made this year on the future financial health of the County. Our analysis includes a review of the Five-Year Financial Outlook included the Proposed Budget. Future financial demands – the implementation of the SMART plan, future solid waste operating and capital needs, Constitutional Officers – will be impactful. Decisions you make now will have a bearing on your ability to address these demands.

Honorable Chairman Oliver G. Gilbert, III  
and Members, Board of County Commissioners  
Page 2

Should you have any questions or need additional information, please feel free to contact our office.

c:       Honorable Daniella Levine Cava, Mayor  
          Honorable Juan Fernandez-Barquin, Clerk of the Court and Comptroller  
          Honorable Pedro Garcia, Property Appraiser  
          Geri Bonzon-Keenan, County Attorney  
          Gerald Sanchez, First Assistant County Attorney  
          Jess McCarty, Executive Assistant County Attorney  
          Lazaro Solis, Deputy Property Appraiser  
          David Clodfelter, Director, Office of Management and Budget  
          Yinka Majekodunmi, Commission Auditor  
          Basia Pruna, Clerk of the Board

**I. Millage Rates and Impacts**

The Proposed Budget is balanced with millage rates that are the same as approved in FY 2022-23, except for the Countywide millage rate which was reduced by one (1) percent (0.0462 mills). These rates, which were tentatively approved in July by the Board of County Commissioners (BCC), will generate one percent less Countywide general fund revenue (\$18.689 million) than would have been generated if the millage rate had remained flat. At these millage rates, the ad valorem (property tax) revenue for FY 2023-24 is increased by the amounts shown below for each taxing jurisdiction. Also shown in this chart is the increase in total revenue (net of carryover) for each taxing jurisdiction.

<b>Jurisdiction</b>	<b>Additional Ad Valorem Revenue</b>	<b>Total Revenue Increase</b>
<i>Countywide</i>	\$191,639,000	\$229,979,000
<i>Unincorporated Municipal Service Area (UMSA)</i>	\$19,692,000	\$51,815,000
<i>Fire and Rescue</i>	\$60,543,000	\$75,148,000
<i>Library</i>	\$11,370,000	\$12,170,000

At the approved millage rates, the owner of a home in UMSA with the median assessed value (\$196,300) with a homestead exemption will see the following changes in taxes for each County jurisdiction on their TRIM notice.

<b>Jurisdiction</b>	<b>2022 TRIM Notice</b>	<b>2023 TRIM Notice</b>	<b>Increase/ (Decrease)</b>
<i>Countywide</i>	\$649.54	\$669.20	\$19.66
<i>UMSA</i>	\$268.38	\$279.30	\$10.92
<i>Fire and Rescue</i>	\$336.92	\$350.62	\$13.70
<i>Library</i>	\$ 39.53	\$ 41.14	\$ 1.61

**II. Miami-Dade Rescue Plan spending and balances**

The Proposed Budget reallocates Miami-Dade Rescue Plan funding, leaving the following line items without specific disposition:

- Grant Match for resiliency and septic to sewer grants \$7,700,000
- Tree Canopy Grant Match 2,500,000
- Budget Shortfalls 940,000

Many of the larger Rescue Plan allocations remain unspent including most of the funding dedicated generally to affordable housing, the endangered lands program, neighborhood improvement projects, and economic development projects. More information about these programs will be provided by the Administration in the First Change Memo.

Based on the way the funding for District Designated Projects was allocated in the Proposed Budget, unlike the previous allocations for District Designated Projects, the allocation must only be spent on infrastructure projects unless the Miami Rescue Plan is amended or the resolution establishing the program (R-777-21) is waived. The allocation for District Designated Projects in the Proposed Budget was included under the "Infrastructure Projects Programs" category of the Rescue Plan where previous allocations had been included under the specific "District Designated" category.

### **III. Constitutional Offices**

The Proposed Budget includes certain adjustments made to the functions that will revert to the newly established constitutional offices in January 2025. These include 14 positions in the Tax Collector (\$954,000), 12 for the Supervisor of Elections (\$834,000), and minor adjustments in the Office of the Clerk (4 positions) and the Property Appraiser (2 positions). The table of organization for the Finance Department was increased by a net of 4 positions and the payroll function was transferred from Human Resources to the Finance Department as it will be the responsibility of the Clerk of Courts and Comptroller. The Bond Administration Division (8 positions) was transferred from Finance to OMB and a new division, Statutory Structure and Policy Implementation (5 positions, \$817,000), was created in OMB to facilitate the Constitutional Offices transition.

As of the Proposed Budget, the reserve for Constitutional Officers has a balance of \$9.803 million. At this time, it remains unclear how this reserve will be allocated. Similar to increasing the number of positions prior to the election of the constitutional officers or funding capital project for facilities that may be utilized by the Constitutional Offices, we cannot know what resources will be necessary during and after the transition and may wish to postpone these adjustments and/or utilize the reserve for more near term needs. While Clerk Fernandez-Barquin and Property Appraiser Garcia have been involved in the development of their budgets, we should not presume to know what the other elected Constitutional Officers will want in terms of their organization. We should not fill these additional positions; the newly elected Constitutional Officers should hire their own staff. It does not seem reasonable for the additional positions to be funded in the FY 2023-24 Budget.

### **IV. Peoples' Transportation Plan**

The Proposed Budget reflects funding for the operations and maintenance (O&M) of the current public transit system. This funding includes \$113.521 million in PTP Surtax funds to replace the influx of federal funds that had been used to support the transit O&M for the last three years (\$575 million). The Administration must confirm that the funding allocated to transit O&M meets the requirements of supporting only those parts of the system built after the referendum approving the surtax and included in the exhibits of the original PTP ordinance.

The 40-year PTP Proforma includes estimated expenditures for the construction of the North, Northeast, Beach and East/West corridors of the SMART Plan. To fund the construction and operations of all of these corridors will require either an infusion of additional funding from the Countywide General Fund or another method of funding the local responsibility for these projects, such as a committed portion of the millage, reprioritization of funding in the General Fund or voted debt.

## **V. Solid Waste Funding**

The County's Solid Waste function is divided into two distinct responsibilities: collection of and disposal of waste. Because these responsibilities differ in terms of legal responsibility and customers served, the activities are carefully isolated into two separate funds. As discussed at the July 18, 2023, BCC meeting, the Proposed Budget includes a recommended \$36 annual increase to the residential household collection fee. Because this fee does not generate enough money to support the collections operations and prior funding allocated from the Rescue Plan to Solid Waste has been exhausted, this recommendation requires the disposal fund to loan the collections fund \$25.234 million, to be paid back over 10 years. One of the solutions discussed at that BCC meeting was the elimination of the County's existing recycling contracts. While collections expense would be partially mitigated by eliminating the recycling program, this would put additional pressure on the disposal capacity and may face certain legal challenges. It is important for the BCC to be aware that if the proposed rate is approved for FY 2023-24, an increase of \$125 to the annual residential household collection fee will be required to support collections operations for FY 2024-25.

The disposal operations are currently operating in a structural deficit. This is not apparent in the Five-Year Financial Forecast because the disposal revenues include the Utility Service Fees that are collected to fund the closure and mitigation of former landfills. The base fees established nearly 30 years ago and adjusted annually by the Consumer Price Index (CPI) but capped at a five (5) percent increase for any year, have not kept up with the costs associated with the regional responsibilities of providing disposal capacity. Inflation rates above five (5) percent, changes in the revenue generated from the conversion of waste to energy, and not achieving recycling goals are among the reasons for this situation, which was exacerbated by the recent fire at the Resources Recovery Facility. Even without the loan to the collections fund, the disposal fund will be unable to support the financing that would be required to provide for the expanded capacity that is necessary to support future development in our community.

A decision must be made now to fund the collections activities for the coming fiscal year. Simply, the rates must be adjusted to generate enough revenue to cover, at a minimum, the recurring expense. A tax increment district or some other construct may be considered to cover the capital cost of the Solid Waste Master Plan. A more significant policy and financial review of both the collections and disposal systems must be undertaken in the next few months to ensure that the provision of solid waste services is sustainable in the coming years.

## **VI. Capital Budgeting and Future Financing**

At the request of several Commissioners, the attached slide deck was developed to drill down on the elements of capital budgeting. Without focusing on any particular capital project or plan, the information provided seeks to clarify the sources of revenue that support the capital budget, the differences from and the relationship to the operating budget, and the policy considerations necessary when considering the capital budget. Should you have any additional questions, please feel free to contact our office.

## **VII. Five-Year Financial Outlook – General Fund**

The Five-Year Financial Outlook included in the Proposed Budget reflects the continued funding of the current level of recurring services, as well as adjustments for an estimated increase in costs associated with the Constitutional Offices. While funding for a portion of the cost-of-living adjustments (COLAs) for the next three years is included, certain adjustments will need to be made to reflect the annualization of the cost of the agreements that are ultimately approved. Funding from the Miami-Dade Rescue Plan for one-time projects or allocations is not included in the Proposed Budget and not included in the Five-Year Financial Outlook.

The Countywide General Fund balance grows to \$161.8 million before expenditures begin to outpace revenues and the balance begins to drop. Should the BCC decide to allocate additional funding in coming years to support transit operations as discussed above, there is funding available to address a portion of the support needed. It is important, though, that we focus on not overextending the revenues available by initiating capital projects that will require debt service payments and additional operating support in the future.

The UMSA General Fund balance, however, reflects a deficit beginning in FY 2024-25. In other words, UMSA is not generating the revenues necessary to sustain the current level of services beyond the Proposed Budget. It is important that we begin to address that situation now, rather than postpone decisions until we have no other option but to impact delivery of services.

## **VIII. Flexibility**

BCC priorities which were not addressed in the Proposed Budget may be possible with adjustments to certain funding allocations and projections of both revenues and expenditures for the current year and next year. Working with the Mayor and the Administration between now and the second budget hearing will afford the best opportunity for these priorities to be funded in the FY 2023-24 Budget.

As always, we appreciate the cooperation of the Office of Management and Budget and the Departments who have been willing to answer our questions and respond to our requests. If you have any questions about this material or require additional information, please do not hesitate to contact us.

# Capital Budgeting

Capital Funding and Financing

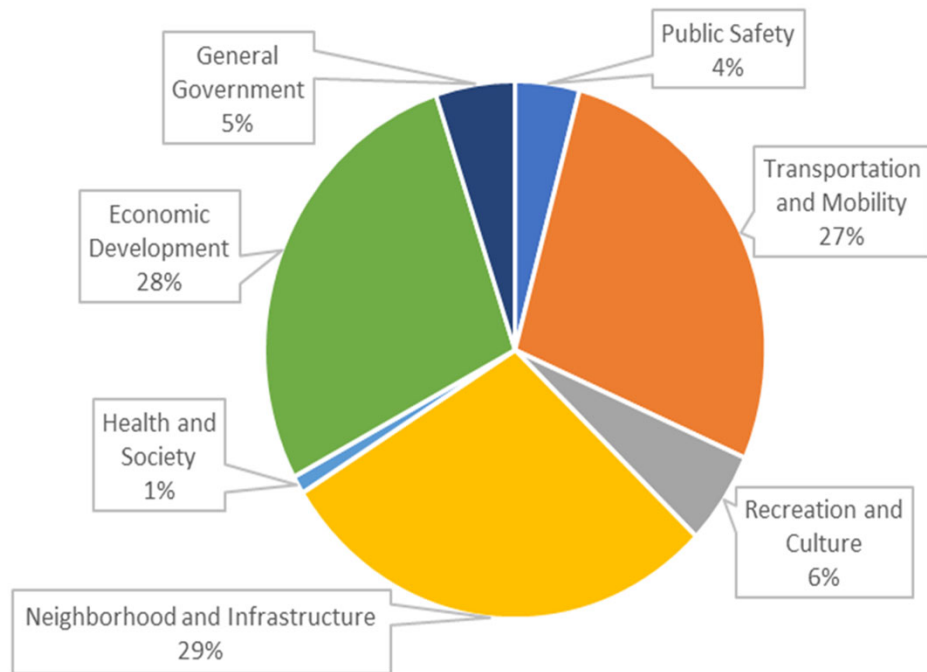
Data from FY 2023-24 Proposed Budget, 2021 Annual Report to Bondholders, 2022 Anti-Dilution Schedule

	CAPITAL BUDGET	OPERATING BUDGET
<b>Expenses</b>	Acquisition, construction or renovation of assets; new roads, new pipes, new buildings, refurbishment of facilities; widening or resurfacing roadways; vehicle replacement	Day-to-day activities and functions to support those services
<b>Revenues v Expense</b>	Balanced for the life of the project; BCC approves expenditure for one year only when budget is adopted annually;	Balanced BCC approves funding each year
<b>Funding</b>	Utilizes one-time revenues, grants, dedicated funding sources, financing proceeds	Recurring revenues support recurring expenses
<b>Linkages</b>	Completion of a capital project leads to changes in the operating budget; could mean increased funding required (e.g., new fire station) or reduced funding required (e.g., roadway resurfacing reduces maintenance cost)	

# Capital Budget v. Operating Budget



Multi-year Capital Plan Total	\$	35,592,841,000
FY 2023-24 Expense	\$	4,408,452,000
FY 2023-24 Revenues	\$	3,951,996,000

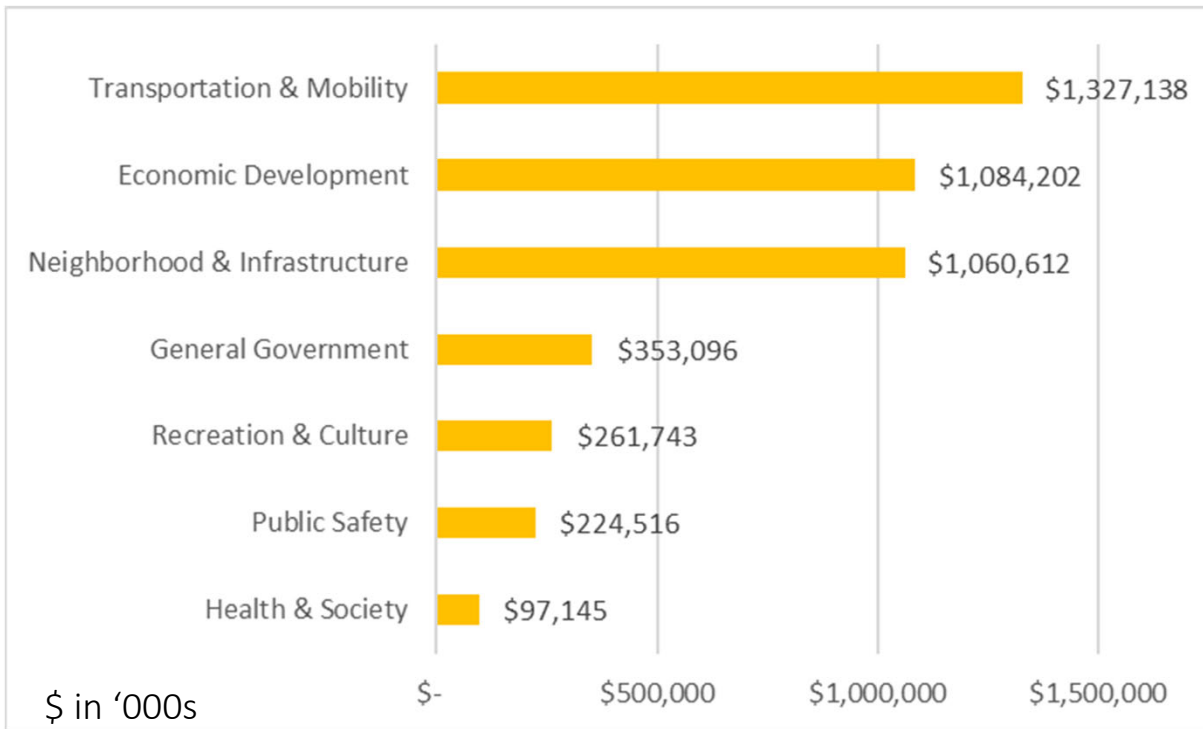


## Multi-year Capital Plan

Reflects the total cost of all projects for which expenditures will occur within the five-year period following the proposed budget year

Current year capital budget authorizes the expenditures expected to occur that fiscal year

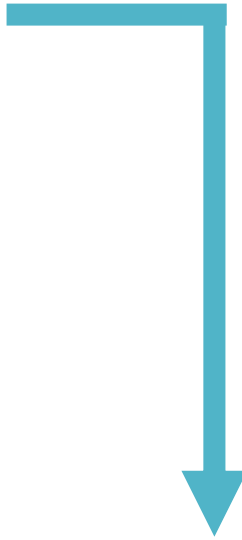
Revenues may be generated prior to expenditures occurring (grant receipts, financing proceeds)



## FY 2023-24 Capital Budget Expense

FY 2023-24 Proposed Budget includes appropriation authority required for expenditures anticipated in FY 2023-24 for all of the capital projects in the multi-year capital plan

County Bonds/Debt	\$ 2,799,050,000	70.83%
Federal Grants	\$ 220,492,000	5.58%
Gas Tax	\$ 37,907,000	0.96%
Impact Fees	\$ 187,960,000	4.76%
Municipal and Non-County	\$ 16,817,000	0.43%
Other County sources	\$ 179,976,000	4.55%
Proprietary	\$ 362,554,000	9.17%
State Grants	\$ 147,240,000	3.73%
	<u>\$ 3,951,996,000</u>	

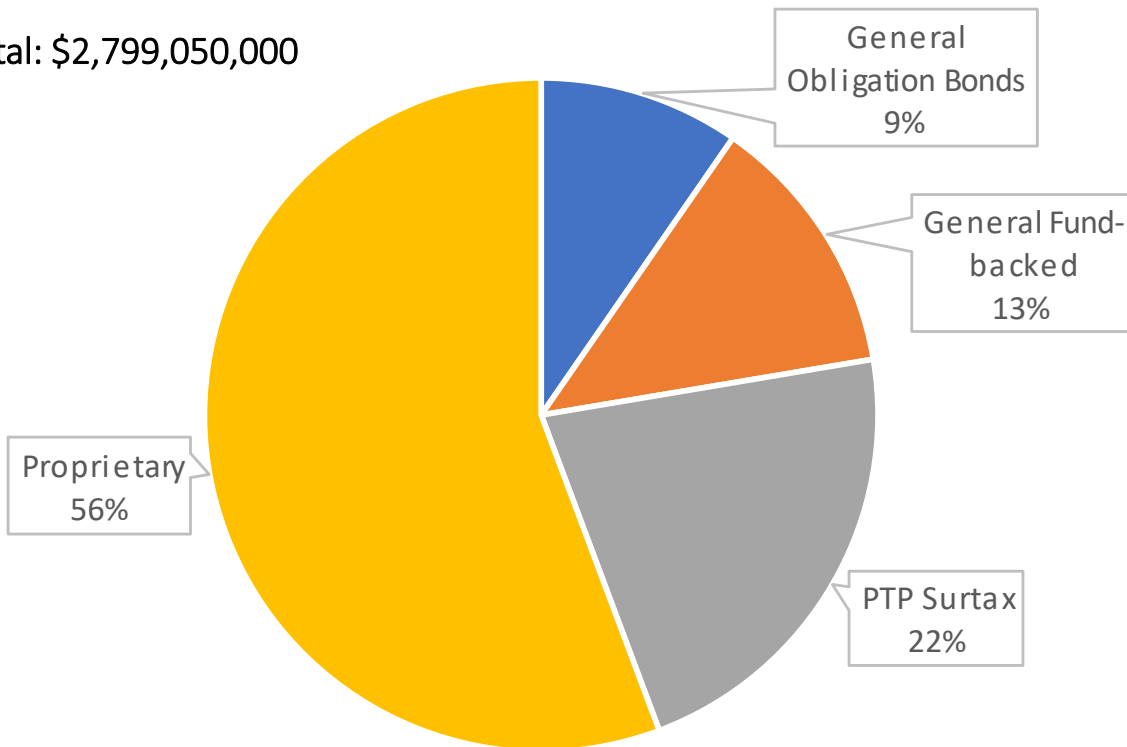


General Obligation Bonds	\$ 269,874,000	9.64%
General Fund-backed	\$ 355,727,718	12.71%
PTP Surtax	\$ 614,384,000	21.95%
Proprietary	<u>\$ 1,559,064,282</u>	55.70%
	\$ 2,799,050,000	

# FY 2023-24 Capital Budget Revenues

Revenues to support the FY 2023-24 expenditures must be “in the bank” by the end of the fiscal year

Total: \$2,799,050,000



# County Bonds/Debt

General Obligation Bonds

Proprietary Revenues

- Aviation
- Seaport
- Solid Waste
- Water and Sewer

General Fund-backed

People's Transportation  
Plan Surtax

# Debt Coverage and Expense

Debt coverage is the ratio of recurring revenue to the annual debt service cost

Coverage for debt supported by stable revenues is usually around 120%

*If the annual debt service payment is \$100, there must be at least \$120 of recurring revenue each year*

Proprietary functions may utilize the cash available to provide coverage to pay for capital expenses

General Obligation Bonds are by revenues generated by a separate millage rate set annually to cover the debt service cost (“voted millage”)

A reserve is funded as protection against a steep reduction in property tax roll value

GOBs can only be issued pursuant to a referendum

General Fund-backed debt must be supported by non-ad valorem (non-property tax) revenues

**FY 2023-24 Future Financing \$ 992,598,000**

Aviation	\$ 310,051,000
Fire Rescue	\$ 10,689,000
Seaport	<u>\$ 482,140,000</u>
<b>Total Non-General Fund</b>	<b>\$ 802,880,000</b>
Elections	\$ 2,112,000
Internal Services	\$ 124,226,000
Information Technology	\$ 8,026,000
Office of Management and Budget	\$ 12,692,000
Non-Departmental	\$ 22,202,000
Police	\$ 18,860,000
Property Appraiser	<u>\$ 1,600,000</u>
<b>Total General Fund</b>	<b>\$ 189,718,000</b>

## Future Financing

Funding proceeds from a future issuance

May be either proprietary funding or backed by the general fund (but not property taxes)

If expense occurs before debt issuance, financing must occur prior to the end of the fiscal year



# General Fund-backed Bonds

Property taxes may only be used to issue debt if a referendum approving the projects and the borrowing has been approved by the voters

An analysis is done to ensure enough non-property tax revenue is in place, at a point in time, to pay debt cost for financing backed by the General Fund

All funding in this calculation is allocated for services; only the actual debt expense is budgeted; future debt obligations may require a reduction in service

Total Revenue <sup>1</sup>	\$	2,898,941,000	Calculate all non-property tax revenues
Property Taxes		<u>(1,679,389,000)</u>	
Total Available		1,219,552,000	
Existing Obligations		(13,137,000)	Subtract revenues that are limited (e.g., gas taxes) and required payments
Restricted Revenues <sup>2</sup>		<u>(71,169,000)</u>	
Fund Balance/Transfers In		<u>127,814,000</u>	Add fund balance
Total Available to Pledge	\$	<u><u>1,263,060,000</u></u>	This is the amount available to cover financing payments
Maximum Annual Debt Service <sup>3</sup>	\$	164,261,000	The analysis shows that we have 7 times as much money as we need to pay our current debt service and that even if we had twice as much debt expense, we would still have almost \$1 billion available for additional debt
Coverage		7.69	
Coverage at 200% of MADS	\$	3.84	
Excess Available at 200% of MADS	\$	<u>934,538,000</u>	

<sup>1</sup> Financial General Fund (includes all "G" funds)  
<sup>2</sup> Gas Taxes  
<sup>3</sup> Includes Seaport Commercial Paper which has been refunded

Just because we have coverage, does not mean the funding is available; this is funding used to support services in the current year; test shows coverage at a point in time

Revenue Bonds	\$ 11,059,898,000
Special Obligation Bond	5,347,492,000
General Obligation Bonds	2,826,831,000
Financing Purchase Liability	460,359,000
Loans and Notes Payable	210,626,000
Lease Liability	182,658,000
Commercial Paper	132,064,000
Housing Agency Bond and Notes Payable	<u>4,203,000</u>
	\$ 20,224,131,000

## Total Debt Outstanding

Combined Governmental and  
Business-Type Activities