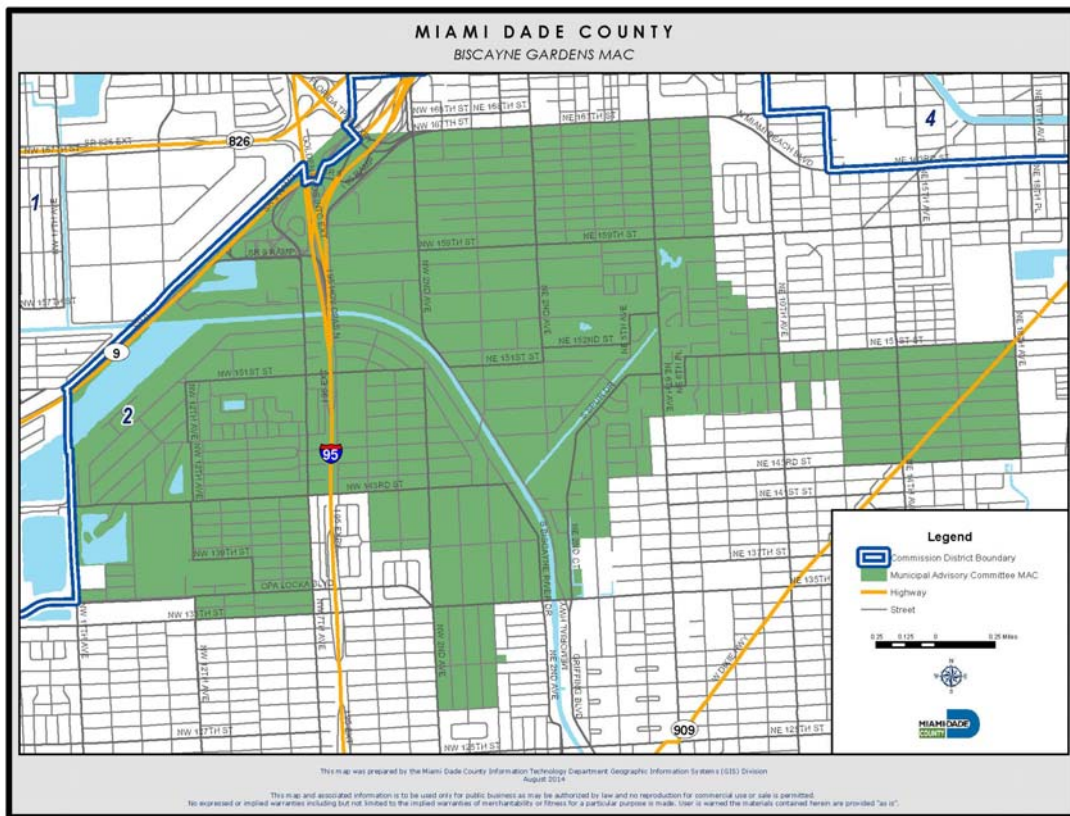


Biscayne Gardens MAC Review of New Municipality Pro Forma



INTRODUCTION

The purpose of this analysis is to review previously completed budgetary projections for the potential municipal incorporation of the Biscayne Gardens community. The firm of PMG Associates, Inc., under contract to Miami-Dade County, has performed this review.

The previous budget was prepared by the Biscayne Gardens Municipal Advisory Committee (MAC), which is an organization established by the Miami-Dade Board of County Commissioners (BCC) to examine issues at the community level and make recommendations for consideration by the BCC. This review represents a third-party examination of the revenues and expenditures of the potential municipality and, where determined necessary, revises the budget for further discussion.

The original budget was prepared by the MAC through the efforts of a member with a Finance background. The budget was initially submitted in a document titled “*Proposed Biscayne Gardens Incorporated Area MAC Report On: Preliminary Pro Forma On Revenues and Expenditures And Municipal Structure & Costs Analysis, April 14, 2005*”. This document was further revised with the “*Proposed Biscayne Gardens Incorporated Area MAC Report On: Draft of Final Report & Pro Forma On Revenues and Expenditures And Municipal Structure & Costs Analysis, February 25, 2014*”. Both documents were prepared using data provided by County Departments and review of comparable municipalities in Miami-Dade County.

The revision of the analysis in 2014 was due to the fact that the 2005 effort did not proceed. Changes in Taxable Value, service costs and other factors required the recasting of the financial analysis to account for current conditions.

The 2014 document served as the basis for the third-party review, with verification of the amounts used in the Pro Forma as the essential element of the analysis.

REVENUE

Revenue sources for any municipality are those established by State law and the Miami-Dade County Charter. Municipalities have been granted the ability to raise funds from a variety of sources based on a Benefit/Cost scenario. The State Imposed Fees are a sharing of funds collected by the State of Florida and remitted to counties and municipalities to provide services to the public. These sources are typically allocated based on population.

The list of revenue sources used in this analysis is provided in Table 1 along with the authority for the imposition of charges and fees.

A description of the individual sources and the rationale for the estimate of the amount follows.

TABLE 1
REVENUE SOURCES

Authority	Revenue Source
State Constitution	Ad Valorem Taxes
State Imposed Fees	State Revenue Sharing
	½ Cent Sales Tax
Home Rule	Franchise Fees
	Utility Tax
Local Approved Sources	Communications Service Tax
	Business Use Tax
	Building Permit Fees
	Intergovernmental Transfers
	Charges for Services
	Fines and Forfeitures
	Stormwater Fees
	Gas Tax
	Other Revenues

Source: Local Government Financial Information Handbook – 2013

A review of comparable

Ad Valorem Taxes

Ad Valorem Taxes are the basic revenue source for local government and are imposed on the Taxable Value of the Real Property and Personal Property as determined by the Property Appraiser in each County. Taxable Value is defined as the Total Assessed Value less and Exemptions (such as Save Our Homes, Elderly, Disabled, etc.). Taxable Value figures for the Biscayne Gardens area were provided by the Miami-Dade County Property Appraiser and reflect the most recent figures.

Taxes for this category are imposed as a Millage Rate, which is expressed as a whole number. A mill is defined as the amount per \$1,000 that is used to calculate taxes on property. The method for determining the Taxes generated from property within the jurisdiction of the municipality is to divide the total Taxable Value by \$1,000 and multiply by the approved Millage Rate.

The proposed Millage Rate used in this analysis is 4.00, which is 107% higher than the current Millage Rate for the unincorporated area of Miami-Dade County (1.9283).

The Millage Rate of 4.00 generates Ad Valorem Taxes of \$2,799,000.

The 4.00 Millage Rate is also higher than the proposed Millage Rate in the 2005 report, which was estimated at 2.47 mils. The reason for the increase is the sharp decline in property values caused by the Great Recession. Rates fell dramatically across Miami-Dade County and have yet to recoup the pre-Recession values.

Franchise Fees/Utility Taxes

These levies are generally defined as the payment for the right to provide utility service to an area. Miami-Dade County allows any MAC area that incorporates to retain these revenue sources. The local government will be required to impose a rate to be attached to the use of Electric, Natural Gas, Water and other services. The Franchise Fee rate in Florida has a maximum of 6% of the usage charges, while Utility Taxes are capped at 10%.

Estimates of Franchise Fees and Utility Taxes are derived from extrapolation from the County Budgets by the Office of Management and Budget (OMB). The estimates for the proposed municipality, as presented in the “*Estimated Impact on UMSA Budget*”, prepared by OMB are:

Franchise Fees:	\$ 832,300
Utility Taxes:	\$1,674,400

These figures are reasonable based on the experiences of other comparable municipalities in Miami-Dade County.

Business Use Tax

This fee (formerly known as the Occupational License) is imposed on the owners of any business enterprise located within the boundaries of the municipality. The rates are established by the governing body and typically are based on the type of business activity performed. More intensive uses usually receive a higher fee.

The estimate for this source was taken from the budget review by OMB and is placed at \$58,000, which is a reasonable amount. The Biscayne Gardens area has a total of 902 businesses (Claritas). A comparison is North Miami Beach (adjacent to Biscayne Gardens) which has 2,108 businesses and generates \$130,000 in Business Tax revenue.

Most of the businesses in the area are in Retail, Service and Health Related industries

Building Permit Fees

Local governments impose a fee for obtaining permits to construct or modify a structure in the jurisdiction. Under State law, these fees cannot be higher than the cost associated with providing the service, including any Administrative Costs. Since the Biscayne Gardens area does not have a significant amount of vacant land, this type of activity will likely be limited to remodeling and repair of existing structures.

One of the direct comparisons with Biscayne Gardens is the Village of Biscayne Park, which is located near Biscayne Gardens. Although small in size than Biscayne Gardens, Biscayne Park is similar in nature considering that the municipality has virtually no vacant property. The annual

building permits for Biscayne Park is \$60,000 annually, which makes the \$136,000 for Biscayne Gardens reasonable.

Other Licenses/Fees/Permits

Special events, use of municipal property and other activities also generate funds for a governmental jurisdiction.

The estimate for this source was taken from the budget review of other municipalities in South Florida that are similar in size to the proposed municipality. This review reveals that the revenue in this category for the other municipalities ranges from \$40,000 to \$250,000. The estimate for Biscayne Gardens is \$144,000, which is a reasonable amount.

State Shared Revenues/1/2 Cent Sales Tax

These sources are provided by the State of Florida to share revenues generated by the State and reallocated to the local jurisdictions based primarily on population.

State Shared Revenues are funds allocated each year into a fund for distribution to the local entities. There is no set amount. However, the State of Florida attempts to provide at least the same amount as the previous year.

The ½ Cent Sales Tax is not revenue generated at the local level, but rather ½ Cent of the 6% Sales Tax collected throughout the State. These funds are placed in a fund and reallocated to the local jurisdictions in a manner similar to the State Shared Revenues.

Figures for these sources were obtained from The Florida Department of Revenue based on the projected population of the new municipality and the population of the remainder of Miami-Dade County. The allocation formulae were applied to the prospective municipality and estimates generated. The figures are:

State Shared Revenue:	\$1,139,000
½ Cent Sales Tax:	\$2,256,000

Communication Service Tax:

This tax is applied to the use of any communication device registered to a user at an address within the jurisdiction. The local portion of the Communications services tax applies to telecommunications, video and related services. This definition includes voice, data, audio, video, or any other information or signals, transmitted by any medium, including:

- Land Line Telephone
- Cellular Telephones
- Satellite Telephones

- Cable Television Service
- Satellite Television Service
- Internet Service
- Tablets
- Any other service that uses airwaves, cable or other interconnected devices

Revenue from this source has been expanding significantly annually since more devices are available and in use each year. Many households have multiples of these devices and will pay a fee on the usage rate of each device.

The governing body of the jurisdiction must establish a rate applied to the usage charges, with the typical rate in Miami-Dade County of 5.72% (the rate applied by Miami-Dade County in the unincorporated area). The highest rate charged in the area is 6.72% (Medley).

The estimate for this source was taken from the budget review of other municipalities in Miami-Dade County and the experience of PMG Associates. This number differs from the original estimate of OMB and the report completed by the MAC.

The estimates from the three sources are:

MAC: \$ 845,000

OMB: \$ 840,047

PMG: \$1,304,000

Intergovernmental/Charges for Service/Fines and Forfeitures/Other Revenues

These sources comprise transfers from other jurisdictions, Traffic fines, Code Enforcement Charges and other Miscellaneous items.

The estimates for these sources were taken from the budget review of other municipalities in Miami-Dade County and the amounts listed below are reasonable.

Intergovernmental:	\$ 8,000
Charges for Service:	\$ 6,000
Fines and Forfeitures:	\$188,000
Other Revenues:	\$ 55,000

Stormwater Fees

These sources represent the funds from the levy of a Stormwater Fee for all properties in the jurisdiction. The funds are transferred to Miami-Dade County, who is responsible for the maintenance of the drainage facilities. The fee actually represents a “Pass-through” of funds for services provided.

It is possible that the fees may be paid directly to the County and by-pass the new municipality. Since the amount is included in both revenue and expenditures, the amount has a net sum of \$0.

Revenue Projection

\$688,000

Associated Expenditures

\$688,000

Gas Tax

Miami-Dade County generates funds through a local Gas Tax, which is then allocated to the municipalities. The allocation is based on population and amount of lane miles within the jurisdiction.

The funds raised by this source are restricted for the improvement of roads and transportation systems in the jurisdiction. The expenditure section will include an amount identical to the revenue generated.

Revenue Projection

\$472,000

Associated Expenditures

\$472,000

Total Revenue

The estimates of revenue from all sources totals \$11,759,700 and is represented in Table 2. The figure is an increase of \$660,700 (approximately 6%) from the MAC 2014 report.

TABLE 2
SUMMARY OF REVENUES

Category	Amount
Ad Valorem	\$2,799,000
Franchise Fees	\$832,300
Utility Taxes	\$1,674,400
Occupational License	\$58,000
Building Permit Fees	\$136,000
Other Licenses/Fees/Permits	\$144,000
State Shared Revenue	\$1,139,000
1/2 Cent Sales Tax	\$2,256,000
Communication Tax	\$1,304,000
Intergovernmental	\$8,000
Charges for Service	\$6,000
Fines and Forfeiture	\$188,000
Other Revenues	\$55,000
Stormwater	\$688,000
Gas Tax	\$472,000
Total	\$11,759,700

OTHER TAXES NOT PAYABLE TO THE NEW MUNICIPALITY

Property Owners in the proposed incorporation area will also pay taxes to authorities other than the new municipality. The establishment of a new municipality will not impact the power of these agencies to impose taxes. Incorporation of Biscayne Gardens will not impact these taxes. Levies include:

- County-wide Ad Valorem Tax by Miami-Dade County
- Fire District Tax
- Library Tax
- Special Districts Tax (Water Management, Florida Inland Navigation, Children's Trust etc.)

Property Owners in the Biscayne Gardens area will no longer be required to pay the UMSA unincorporated area tax from Miami-Dade County, if the area incorporates. The Property Owners will be required to pay the Ad Valorem rate imposed by the new municipality.

EXPENDITURES

Expenditures for the municipality were determined by analysis by various County Departments as well as examination of other municipal budgets. The expenditure estimate was based on personnel levels, equipment and operational costs.

Town Council

The estimate includes a minimal amount for salaries and expenses of Council members (5). The third-party review added a small amount of expenses \$12,000 for membership in organizations and other costs to represent the constituents. The expenditure amount represents a philosophy that the elected officials will only receive a modicum of reimbursement for their time to serve the public. This philosophy is common in start-up municipalities and is reasonable in this case.

Total cost - \$60,000

Town Manager

The estimate for this department includes staffing level of three (Manager, Assistant Manager, Administrative Assistant) as well as operating costs for the Department.

Total cost - \$392,100

Town Clerk

This department has a staff of three and includes operating costs as well as records retention, mailing costs, advertising and other expenses.

Total cost - \$321,400

Town Attorney

This expenditure will be on a contract basis with an outside law firm. The cost includes all of the support of the designated Town Attorney

Total Cost – \$180,000

General Government

This department includes Human Relations as well and rental for the City Hall and meeting facility and operations. The Human Relations staff is estimated at two, which should be adequate for a total staff of approximately 30. This position may also assist in the outside contracts.

The estimate includes a projected cost of \$250,000 for rentals and leases for the City Hall and Administrative Offices. Based on current rents in the area, this figure is reasonable.

The estimate for Insurance is \$290,000 annually. This figure is difficult to estimate since insurance costs have been rising steadily in the recent past. For this report, the amount is reasonable.

Total cost - \$1,153,700

Finance

The estimate for this department includes a staff of two to complete the Accounts Receivable, Accounts Payable and coordination of collection and disbursement of funds. Operating costs were also included. One item absent from the estimate is the cost of the annual Audit, which is required by State law. The cost of this item is usually included in the Finance Department Budget. An increase in the costs of \$25,000 was added to include the Audit. This figure was obtained by examining other municipal budgets and extrapolating for the size of the Biscayne Gardens budget.

Total Cost – \$299,600

Police/Parks and Recreation

Provided by Miami-Dade County based on experience.

Total Cost Police - \$5,495,500

Total Cost Parks - \$333,000 (net of revenue and expenditures)

Building and Planning

Staff of 7 for this department will handle permits, inspections and Code compliance. The operating costs include vehicles and the completion of the Comprehensive Plan. The costs were based on budgets from other jurisdictions.

Total cost - \$938,300

Public Works

This department includes a staff of six that are responsible for maintenance of public lands including parks. The maintenance of the parks includes three sites that are to be transferred to the new municipality. Two of the facilities are passive parks (Jeb Estates and Biscayne Gardens Park). The cost for these facilities is minor.

The largest expenditure is for Oak Groves Park, which includes tennis courts, ball fields, picnic area, playgrounds restrooms and parking. All of the maintenance for this facility will be the responsibility of the new municipality.

Total Cost - \$588,800

Stormwater/Utility/Transportation

The expenditures for these categories equal the revenue generated.

Category	Revenue	Expenditures
Stormwater Fees	\$688,000	\$688,000
Transportation Revenue	\$472,000	\$472,000

QNIP

Representing the share of the new municipality of the debt incurred by Miami-Dade County, this figure was provided by OMB. The figure of \$267,000 is slightly higher than the amount found in the 2014 report completed by the MAC.

Total Expenditures

Total expenditures equal \$11,190,400, which is an increase of \$105,000 (approximately 1%) over the amount in the MAC report. The amounts are found in Table 3.

TABLE 3
ESTIMATED EXPENDITURES

Category	Amount
Town Council	\$60,000
Office of Town Manager	\$392,100
Office of Town Clerk	\$321,400
Office of Town Attorney	\$180,000
General Government	\$1,153,700
Finance Department	\$299,600
Police Department	\$5,495,500
Building and Planning Department	\$938,300
Public Works Department	\$588,800
Parks and Recreation Department	\$333,000
Stormwater Utility Fund	\$688,000
Total Transportation Fund	\$472,000
QNIP (Debt and pay-as you-go)	\$267,000
Total	\$11,190,400

NET OPERATIONS

The result of the analysis provided in this report is an overall surplus (Revenues less Expenditures) of \$569,300, which is 5.09%. This percentage is significantly higher than in the MAC report (0.12%). The increase in surplus is due to the higher revenue projections, which are based on the higher projections by PMG Associates for the Communication Service Tax.

The surplus amount is important due to the fact that the revenue sources may be late in reaching the full amount. One example is that the coding for the Franchise Fees, Utility Taxes and Communications Service Taxes must be changed to the new jurisdiction. At times, the adjustment to the programming of the utility companies is not completely accurate resulting in a loss of revenue to the new jurisdiction. Other revenues may also be slow in collection.

One way for the new municipality to improve the collection of the fees and taxes from the use of utility services is to engage a firm that specializes in reviewing the allocation process of these fees. The firm usually operates on a commission basis and typically improves the revenue stream of the municipality.

One strategy that the new municipality could consider is the lowering of the Ad Valorem rate due to the surplus amount. However this surplus should not be less than 2.5%. With this level, the most that the Ad Valorem rate could be lowered is 10% to 3.6 mills. The reduction in the Contingency Fund amount must then be made up in subsequent years.

Another use of the surplus funds is for capital improvements and expenditures that may be necessary. This action may reduce costs in the future.

The municipality should maintain a contingency fund for special and/or emergency needs. Setting this amount at 5% to 10% of the budget makes wise fiscal sense. It is not necessary to add 5% to 10% each and every year. Instead the municipality should maintain a balance in the fund equal to the specified amount.

Category	MAC Report	Third-Party Report
Revenue	\$11,099,000	\$11,759,700
Expenditures	\$11,085,400	\$11,190,400
Surplus	\$ 13,600	\$ 569,300
Percentage	0.12%	5.09%

CONCLUSION

The Biscayne Gardens area can succeed financially as a new municipality, if the Ad Valorem rate is set at 4.0 mills as established in the MAC report completed in 2014. This millage rate, as well as other revenues, will generate sufficient funds to pay for operating expenditures and result in a comfortable surplus, which would be available for contingencies.

The conclusion is also based on the establishment of a “no frills” budget that provides the current level of service received by the Property Owners from Miami-Dade County. The budget does not consider increases in services.

It is possible that the millage rate can be set at a slightly lower rate, if the elected officials so decide. However, this action will reduce the surplus and resulting contingency amount. The officials must be cautious to insure that the new municipality does not incur financial difficulties.