

SUMMER STUDIES 2017

Using the Rollback Rate for FY 17-18 Budget

Summer Study 17-017
Finance Department
August 18, 2017

Summer Studies

Using the Rollback Rate for FY 17-18 Budget

Executive Summary

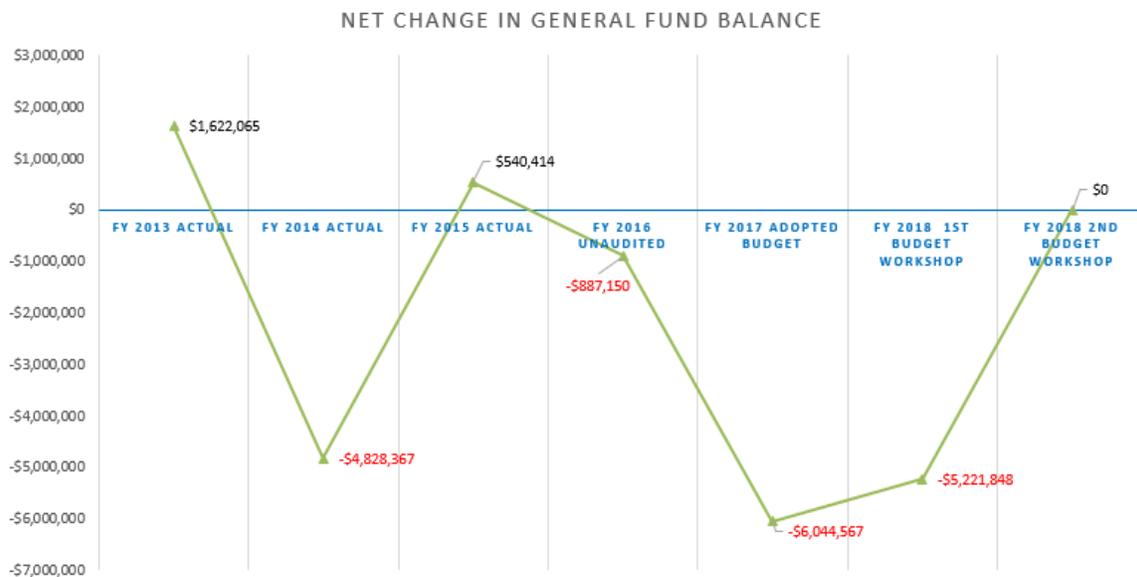
Over the past five years, including the FY 16-17 Budget, the City of Hallandale Beach (COHB) has utilized General Fund Reserves. The City has not had a millage increase since FY 09-10. Following the millage increase in FY 09-10, the City adopted the rollback rate in FY 12-13, a reduction of .2167 mills, and in FY 14-15, a reduction of .4915 mills. Since FY 09-10, the millage rate has been reduced cumulatively by approximately .7082 mills to the current millage rate of 5.1918. The rollback rate is the rate that will generate the same tax revenue as the prior year with some allowances, such as new construction, additions and deletions to the tax roll.

In the first Budget Workshop held on May 5, 2017 for the FY 17-18 budget, the General Fund had a deficit of \$5,221,848. After this workshop, revenues and expenditures were re-evaluated to start planning for financial sustainability: where revenues equal expenses, including beginning to rebuild the reserves of some funds. General Fund revenues were revised by increasing fees, analyzing updated actual year-to-date revenues, increasing property tax revenue through property reevaluation, and a millage increase. On June 21, 2017, the City Commission approved the proposed millage for FY 17-18 at 5.3093 mills, which is an increase of .1175 mills over the current millage of 5.1918, which is offset by a decrease of .1175 mills in the General Obligation Bond debt service millage. The total millage will remain the same in FY 17-18 as it was in FY 16-17.

While there has been some discussion of a further increase in the General Fund millage proposed for FY 17-18 to save programs or avoid other fee increases, technically the proposed General Fund millage is already a tax increase because the rate is above the “rollback” rate as described above. In fact, we will have to advertise a 6.66 percent increase of the proposed millage (5.3093) over the rollback rate of 4.9525 per State law. The reader should be reminded that the General Obligation Bond debt service millage

has been reduced in the same amount as the General Fund millage has been increased.

By the second workshop held with the Commission, the FY 17-18 Budget was balanced without the use of reserves or surplus (see chart below). To make the General Fund sustainable next year several strategies were initiated, such as: expenditure reductions based on salary and benefit changes, reduction in consulting services, community partnership grants, and eliminating special events and programs due to low utilization or high unit cost of service.



If the City Commission adopts the rollback rate of 4.9525 during the September 2017 budget hearings, property tax revenue will decrease by \$1,870,890 thereby decreasing the General Fund revenue by \$1,538,364 and the Hallandale Beach Community Redevelopment Agency (HBCRA) revenue by \$332,526, since this income is shared by both funds. This deficit will have to be covered by alternative solutions without the utilization of reserves.

Rolled - Back Rate Effect: 4.9525 Mills

Taxable Value (July 1, 2017)	\$5,405,697,353
Rolled - Back Rate Based on the 7/1/2017 Preliminary Taxable Value	4.9525
Ad Valorem Revenue (97%)	\$ 25,968,565
If the Rolled - Back Rate is Adopted based on the Tentative Millage (5.3093) Property Tax Revenue would have to be Reduced by:	\$ (1,870,890)

The City currently budgets property tax revenue at 97% to allow for the allowable 5% discounts; based on when the tax bill is paid from November - March; 5% - 1%, respectively.

Challenge

The adoption of the rollback rate in the September 2017 budget hearings presents the challenges of generating additional revenues. Several initiatives have been developed to balance the fund such as: increasing or developing new user rates or fees, reducing expenditures by possibly leasing equipment instead of purchasing, sale of the Ansin property, and evaluating programs for improved efficiency and setting priorities. Utilization of the rollback rate will significantly impact operations and services, or require even larger fee increases to the residents. The HBCRA budget would also require a reduction which would most likely come from the funding for the Public Private Partnership (PPP) projects like City Center and others.

Economics and Relationship to Millage Set on June 21, 2017

The City Commission approved the proposed millage rate for FY 17-18 at 5.3093 mills in order to meet the deadline for the Broward County Property Appraiser to send out proposed tax notices. If the City Commission adopts the rollback rate of 4.9525 mills at the public budget hearings in September 2017, the impact in General Fund revenue is a reduction of

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\$1,538,364 and the impact in HBRCAs revenue will be a reduction of \$332,526 for a total decrease of \$1,870,890. This reduction will need to be offset by a reduction in expenditures, creation of new or increased revenue sources or the utilization of the General Fund reserve.

Action Item

If the rollback rate, or a portion of the difference between the proposed rate and the rollback, is approved by the City Commission, the following adjustments are provided for your consideration:

<u>Rollback Reductions Alternatives:</u>	<u>\$ 1,870,890</u>
Police Command Staff (2 positions)	\$ (466,000)
Fire Command Staff (1 position)	\$ (217,000)
Adjust Minimum Manning Procedure without Impacting Service Quality	\$ (300,000)
TIF Payment Share of Property Tax Revenue to General Fund	\$ (332,526)
General Fund New & Partial Reduction to Vehicle Replacement Allocations	\$ (388,000)
Across the Board Reductions in the General Fund (Shared by all Other Departments not Listed Above)	\$ (167,364)

Conclusion

The Administration strongly recommends that the rollback rate or any amount less than the proposed rate not be approved. The impacts on City employees and the community of all the other changes in the Summer Studies is very significant, hard to absorb and difficult to implement.

However, some of the ideas presented above may make sense if sufficient analysis and employee/public input is completed during FY 17-18. It is also important to note that we will be in labor negotiations during FY 17-18 and the millage necessary to be adopted prior to the beginning of FY 18-19 in order to balance the budget will be harder to achieve if the FY 17-18 millage is lowered. This Summer Study was a good intellectual exercise and it might yield positive outcomes during the upcoming fiscal year.