M E M O R A N D U M

TO:	Honorable Chair and Members of the City Commission
FROM:	Members of the Finance Committee
DATE:	September 23, 2026
RE:	Recommendations of the Finance Committee on the Proposed Fiscal Year 2026-27 Operating and Capital Budgets

The Finance and Audit Advisory Committee ("Committee") met on August 27, 2026 and received a presentation from the Office of Management and Budget on the proposed operating and capital budgets, with the Finance Department and the Office of the City Attorney present. This memorandum transmits the Committee's recommendations from the August 27, 2026, and as further discussed and approved on September 23, 2026.

The Committee offers these recommendations under its charge to review and consider all matters relating to the development of the City's operating budget, and to participate in the development of the capital program and make recommendations to the Commission as to the projects to be debt financed and the nature and structure of that debt.

The recommendations are organized around the Financial Integrity Principles codified in Sections 18-541 and 18-542 of the Code of the City of Miami, Florida, as amended ("City Code"). A number of the items below ask for compliance with obligations the City has already adopted rather than for anything new.

Part I sets out the framework the Committee proposes to use. Part II lists information the Committee has requested and has not yet received. Part III contains the Committee's recommendations on the substance of the proposed budgets, grouped by subject. Part IV addresses the Committee's role in future budget cycles. Part V provides Supplemental Recommendations. The Committee requests that this memorandum be included as backup to the budget legislation so that it is available to the Commission and to the public before the final budget hearing.

PART I. THE FRAMEWORK THE COMMITTEE PROPOSES TO USE

1. **Recommend that the City Commission consider developing a multi-year operational plan to supplement the multi-year capital plan.**

2. **To the extent one is prepared, provide any audits of the Financial Integrity Principles to the Committee.**

3. **Report interim financial results quarterly.** The most recent audited figures available during this budget cycle close as of September 30, 2025 and were published in March 2026. The Commission is adopting a budget against audited information that is a year old, which is why the Committee could not obtain a current reserve balance. The Committee recommends unaudited quarterly financial reports covering general fund revenue and expenditure against budget, delivered to the Committee and to the Commission.

PART II. INFORMATION REQUESTED AND NOT YET PROVIDED

4. **Frozen positions, by department.** The proposed budget is balanced in part by holding roughly $10.5 million in vacant positions unfilled, with sworn police and fire positions and solid waste collection excluded. The Committee has asked for the list by department, and specifically for any position for which the City has already extended an offer of employment. The Commission should know how much of the $10.5 million is available.

5. **Employee counts by bargaining unit.** The presentation attributed the majority of budgeted salary increases to the general employees unit, which is difficult to reconcile with the fact that public safety accounts for the larger share of both the workforce and general fund spending. The Committee has asked for employee counts by unit, separating sworn officers from civilian employees, so that the source of salary growth can be identified.

6. **Insurance detail.** The Committee has asked Risk Management for the carrier, the broker, the solicitation history, and a year over year comparison of coverage terms and limits for public official liability coverage. The budget alone does not show whether the City is paying substantially more money for substantially the same coverage.

7. **Requests that were not funded.** The proposed budget reflects roughly $18.1 million in operating enhancements and roughly $288 million in capital enhancements requested by departments and not recommended, together with nine additional positions requested by the Office of the Inspector General and not funded. The Committee has asked for the itemized lists. The Commission should be able to see what was deferred before it votes.

8. **Impact fee fund balances.** The budget presents anticipated collections and planned spending, but not the accumulated unspent balance held in each impact fee trust fund. The Committee has asked for those balances and for how long they have been held. See Recommendation 37.

PART III. RECOMMENDATIONS ON THE PROPOSED BUDGETS

A. Reserves and financial integrity

9. **Satisfy the reserve requirement through funding.** The Administration advised that no revision of the financial integrity policy is under consideration. The Committee recommends that the requirement be satisfied through funding. Should a change to the policy ever be proposed, the Committee recommends it come to the Commission as a separate public item rather than as an assumption inside a budget.

B. Budget performance and structural balance

10. **Report adopted budget against actual results for the last three fiscal years.** Principle 1 commits the City to a structurally balanced budget, and a comparison of plan to result is the practical test of whether that has been achieved. The Committee recommends a comparison of adopted budget to actual results for each of the last three completed fiscal years, by department, for both revenue and expenditure, with a short explanation of any material variance. The same schedule shows whether the frozen position savings and the revenue estimates in this budget are consistent with what the City has actually experienced.

11. **State the assumed vacancy and attrition rate.** Separate from the roughly $10.5 million in positions deliberately held vacant, a budget commonly assumes some level of ordinary turnover, which reduces budgeted salary cost without any position being formally frozen. The Committee recommends that the budget state the assumed vacancy or attrition rate and its dollar effect, so that the Commission can see the full amount of budgeted personnel cost that is not expected to be spent.

12. **Account for prior year surpluses and the strategic rollover funds.** Principle 4 addresses citywide surplus and strategic rollover funds. Over the period in which ad valorem collections grew by roughly $280 million, the City recorded surpluses in a number of years. The Committee recommends a schedule showing, for each of the last five fiscal years, the year end surplus, the amount added to reserves, the amount rolled over, and the purpose to which the balance was applied.

13. **Report grant receivables and reimbursement timeliness.** Audits of the Financial Integrity Principles have found departments submitting grant reimbursement requests late, with City funds covering the gap in the meantime. The Committee recommends a report on grant receivables by department and by age, together with the corrective steps taken.

C. Property tax revenue and the millage rate

14. **Show the Commission what the millage decision is worth in dollars.** Ad valorem collections have grown by roughly $280 million over the last seven to eight years, from roughly $386 million to roughly $665 million in the proposed budget, an increase of roughly $38.8 million, or about six percent, over the current year alone. Certified taxable value rose from roughly $103.7 billion to roughly $110.1 billion, and the Administration projects roughly five percent growth annually going forward. The operating and debt service millage rates are proposed flat. The Committee does not recommend a particular rate. It recommends that the Administration present, at the final budget hearing, the dollar value of one tenth of a mill at current taxable value and what incremental revenue at rates above the proposed rate would fund, tied specifically to the reserve shortfall in Recommendation 12 and the unbudgeted obligations in Recommendations 22 and 26, so that the Commission can see the tradeoff in dollars at the time it votes.

15. **Include a downside case in the multi-year forecast.** The five percent growth assumption rests on continued appreciation. Commercial transaction volume and values are sensitive to

interest rates, and value adjustment board challenges are not resolved for roughly a year after the roll is certified. The Committee recommends that the multi-year forecast carry a lower growth case alongside the base case, so that the Commission can see which commitments in the plan are sensitive to a slower market.

D. Revenue other than the property tax

16. **Publish the fee schedule with the date each fee was last set and its cost recovery rate.** Principle 13 commits the City to determining the full cost of the services it provides. If any part of a reduction in property tax revenue is to be met through fees and charges, the Commission should have the cost of service basis in front of it before that discussion begins. The Committee recommends a schedule of every fee and charge the City levies, the date each was last set, the cost of providing the service, and the resulting recovery rate.

17. **Show the composition of general fund revenue over time.** Property taxes account for a majority of general fund revenue, which is the reason a change to the homestead exemption reaches the entire budget rather than one part of it. The Committee recommends that the budget present general fund revenue by source for the last five years and for the proposed year, so that the Commission can see the trend in the City's reliance on any single source.

E. Personnel and collective bargaining

18. **Quantify the cost of the labor negotiations that will follow the November election.** All four collective bargaining agreements expire at the close of the current fiscal year on September 30, negotiations have begun, and the Administration has advised that it will not discuss financial terms until after the November election. The proposed budget accordingly contains no cost of living adjustment and no reserve for one. Each one percent adjustment costs roughly $4.7 million across all classes. The Committee recommends that the Commission be given, before adoption, the likely range of cost for those negotiations, including any retroactive component, and the source from which that cost would be paid.

19. **Separate growth in head count from growth in the cost of existing positions.** Budgeted positions rise from roughly 4,710 to roughly 4,883. The Committee recommends that the budget show, by department, the change in position count and the change in salary and benefit cost as separate figures, so that the Commission can tell how much of the increase buys additional service and how much is the rising cost of the service the City already provides.

20. **Report overtime, budgeted against actual, by department.** Overtime was taken up at the August 27 meeting only for its effect on pension benefits. It is also a budget line in its own right. The Committee recommends a five year schedule of budgeted and actual overtime by department, with public safety shown separately.

F. Pension and other post-employment benefits

21. **Report the liabilities, not only the annual contribution.** The proposed budget presents the City's annual contribution to its retirement plans. It does not present the size of the obligation that contribution is paying down. The Committee recommends that the budget carry, for each

pension plan and for other post-employment benefits, the funded ratio, the net liability, the assumed rate of return, and the remaining amortization period, each shown on a five year trend. The assumed rate of return governs the reported size of the liability, and the Commission should see it stated.

22. **State the full exposure on the contested pension plan amendment.** Roughly $5.75 million associated with an amendment to the general employees and sanitation employees retirement plan is excluded from the proposed budget because the City is in litigation over whether the amendment was properly adopted. The budgeted contribution of roughly $60.6 million is slightly below the current year's roughly $61.1 million. The Committee recommends that the Administration quantify the exposure for prior years as well as the budget year, and identify the funding source, including whether reserves would be used, in the event the City does not prevail.

23. **Study what drives pension cost before the current round of bargaining concludes.** Salaries and benefits account for the large majority of the general fund, and public safety alone accounts for 56.05 percent of the general fund, up from roughly half in recent years. Overtime raises final average compensation, which raises the pension benefit for the life of the retiree, and the maximum benefit that limits that exposure is itself the subject of a request to increase it. The Committee recommends that the Commission direct a study of the drivers of pension cost, addressing the treatment of overtime in final average compensation, the maximum benefit, and plan design alternatives for employees hired in the future, with cost estimates, delivered while the current round of bargaining is still open.

G. Insurance and risk

24. **Report on what drives the public official liability premium and what would reduce it.** Public official liability coverage rises from roughly $4.3 million to roughly $7.7 million, an increase of roughly eighty percent, and insurance costs overall are rising faster than the budget as a whole. The Committee recommends that Risk Management report to the Committee and to the Commission on what specifically drives the premium, whether coverage terms or limits changed, and what measurable changes in the City's loss experience the carrier and its actuary would credit against future premiums. The Committee would want to know which of those changes are within the City's control.

25. **Report the actuarial adequacy of the self-insurance and claims reserve.** The insurance discussion at the August 27 meeting concerned purchased coverage. The City also retains risk directly, and the reserve held against reported and unreported claims is an actuarial estimate. The Committee recommends that the most recent actuarial evaluation of that reserve and the City's funded position against it be reported with the budget. A claims reserve carried below its actuarial estimate affects the City's financial position in the same way as an unbudgeted expense.

H. The capital program and the November bond referendum

26. **Reconcile the referendum project list to the six-year capital plan.** The capital plan carries 183 unfunded projects and roughly $1.8 billion of unfunded need. The public safety projects contemplated by the $450 million referendum sit largely in the fifth year of that plan as new, unfunded projects. The Committee recommends that the Administration publish a reconciliation showing, for each project in the referendum, its year in the capital plan, whether it is unfunded or partially funded, and what becomes of it if the referendum does not pass. Voters will be asked in November to approve debt for these projects, and the reconciliation would show how those projects stand in the plan the City has already adopted.

27. **Show how much capital addresses the condition of existing facilities.** Much of the capital allocated to police and fire is directed to technology and equipment rather than to the condition of the buildings. Impact fees, which fund a large share of the capital program, may lawfully pay for new capacity but not for maintenance, which shapes the result. The Committee recommends that the Commission be shown, by department, how much of the six-year capital plan addresses the condition of existing facilities as against new capacity and new equipment.

28. **Re-prioritize the unfunded list on the record each year.** The five-year plan is a living document and projects move between years as funding becomes available. The Committee recommends that the unfunded project list be re-evaluated and re-prioritized on the record at the time the capital budget is adopted each year, rather than carried forward unexamined.

29. **Report delivery performance on active capital projects.** The Administration raised the practice of closing or reprogramming projects that are not moving. The Committee recommends a schedule of active capital projects showing original budget, current budget, original completion date, current completion date, and amount expended to date, so that any decision to close or reprogram a project rests on delivery performance rather than on available balance alone.

I. Impact fees

30. **Report the unspent balance and age of each impact fee trust fund.** Park impact fees are projected at roughly $42 million against roughly $7 million for all other impact fee categories combined, because the fee schedule is keyed to residential development and the City is growing vertically rather than outward. There is no road or transportation impact fee. The budget shows collections and planned spending but not accumulated balances. The Committee recommends that the Administration report the unspent balance in each impact fee trust fund and how long those balances have been held.

31. **Review the impact fee ordinance and the levels of service behind it.** The Committee recommends that the Commission initiate a review of the impact fee ordinance and the levels of service on which the schedule is based, so that what the City collects corresponds to the capacity it actually needs to build, particularly for police, fire, and transportation. Impact fees are paid in the end by the buyer or the renter of the unit, so the schedule affects the cost of housing as well as the capital plan.

J. Affordable housing

32. **Report the uncommitted balance of the housing allocation and present options for it.** Roughly $100 million of the Miami Forever Bond is allocated to affordable housing, most of it already committed and distributed among the districts. The Committee recommends that the Administration report the balance that remains uncommitted and present options for deploying it where it will produce the greatest number of units, for the Commission to consider.

K. Parks operations and maintenance

33. **Show the Underline commitment alongside spending on City-owned parks.** The proposed budget includes roughly $1.7 million for maintenance of the segment of the Underline within the City, under a multi-year agreement and paid from the general fund. The underlying property is owned by the County. The Committee recommends that the Administration report the remaining term and the total remaining obligation under that agreement, presented alongside operations and maintenance spending for City-owned parks, so that the Commission can weigh the commitment against the maintenance needs of the parks the City owns.

L. The community redevelopment agencies

34. **Provide the redevelopment agency budgets and tax increment projections with the City budget.** Roughly $165 million of the outstanding debt discussed at the August 27 meeting is redevelopment agency debt. The agencies carry their own revenue, their own budgets, and interlocal obligations. The Committee recommends that the agency budgets, their tax increment projections, and a summary of the City's obligations under the interlocal agreements be provided alongside the City budget.

M. Amendment 3 and the homestead exemption

35. **Publish the assumptions and a two-scenario forecast.** Amendment 3 (CS/HJR 1F), on the November ballot, would phase in an increase in the homestead exemption on primary residences. The Administration estimates the general fund impact at roughly $26 million in the first year and roughly $19.7 million in the second, for roughly $46 million over two years. For context, the first year figure is smaller than the annual growth the City has recently experienced in ad valorem collections, so the first year is absorbable without reducing core services. The second year compounds on the first, and the exposure grows from there. The Committee recommends that the Administration publish the assumptions behind those estimates together with a forecast covering at least the next three fiscal years under both outcomes, so that the Commission and the public can judge the exposure from the same numbers.

PART IV. THE COMMITTEE'S ROLE IN FUTURE BUDGET CYCLES

36. **Give the Committee the budget earlier, and let it report before the first hearing.** The Committee received the proposed budget and met once, roughly two weeks before the first budget hearing, which leaves its recommendations arriving between the two hearings rather

than before either. The Committee recommends that in future cycles the proposed budget and the accompanying briefing materials reach the Committee when they reach the Commission, and that the Committee meet not less than thirty days before the first budget hearing.

37. **Fill the Committee's remaining seats.** The Committee is presently constituted with four appointed and qualified members, which sets its quorum at three. To the extent seats remain unfilled, the Committee recommends that the Commission fill them, so that the Committee carries its charge with its full membership.

38. **Make the Committee's recommendations part of the budget record.** The Committee recommends that its recommendations be attached as backup to the budget legislation each year, so that they form part of the record the Commission and the public see before the vote.

PART V. SUPPLEMENTARY RECOMMENDATIONS

39. **Present a debt capacity schedule showing when existing obligations retire when the City considers issuing new debt.** Outstanding debt is roughly $1 billion, of which roughly $165 million is community redevelopment agency debt, leaving roughly $800 million of direct City obligation. A number of obligations retire in the period from roughly 2029 through 2033. The Committee recommends that the Administration present a schedule showing when existing obligations retire and how much new debt can be issued in each year without increasing the debt service millage, so that any authorized issuance can be timed against that capacity. This recommendation goes to the heart of the Committee's charge, and the Committee expects to review that schedule and report to the Commission on it.

40. **Present the proposed structure of any issuance to the Committee before the first series is sold.** The Committee's charge covers the nature and structure of the debt to be issued, not only whether to issue it. If the referendum passes, the Committee recommends that the term, the amortization method, the phasing of the series, the expected effect on the debt service millage in each year, and any covenant or millage limitation be presented to the Committee before the first series is sold, pursuant to Section 2-1012(i) of the City Code.

41. **Report the City’s municipal securities disclosure policies and procedures.**

The Committee appreciates the preparation and the candor of the Office of Management and Budget and the Finance Department at the August 27 meeting. Several of the items in Part II were offered by staff during the meeting, and the Committee expects to receive them.

Questions regarding any item in this memorandum may be directed to the Committee through its staff liaison.