CITY OF NORTH MIAMI BEACH
City Hall, Commission Chambers, 2nd Floor
17011 NE 19th Avenue
North Miami Beach, FL 33162
Wednesday, August 6, 2025
5:00 PM

Mayor Michael Joseph
Vice Mayor Jay R. Chernoff
Commissioner McKenzie Fleurimond
Commissioner Daniela Jean
Commissioner Phyllis S. Smith
Commissioner Fortuna Smukler
Commissioner Lynn Su

Interim City Manager Andrew Plotkin

City Attorneys Greenspoon Marder LLP

City Clerk Andrise Bernard, MMC

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Workshop Agenda

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1. **ROLL CALL OF CITY OFFICIALS**
2. **PLEDGE OF ALLEGIANCE**
3. **PRESENTATIONS / DISCUSSIONS**
   - **3.1. Fiscal Year 2026 Budget Workshop 1 (Andrew Plotkim, Interim City Manager)**
4. **ADJOURNMENT**

Presentations
3.1.

City of North Miami Beach
17011 NE 19 Avenue
North Miami Beach, Fl 33162
305-947-7581
www.citynmb.com

MEMORANDUM

TO:	Mayor and City Commission
FROM:	
VIA:	
DATE:	August 6, 2025

RE: Fiscal Year 2026 Budget Workshop 1 (Andrew Plotkim, Interim City Manager)

Description

BACKGROUND ANALYSIS:

RECOMMENDATION:

FISCAL/ BUDGETARY IMPACT:

ATTACHMENTS:

Description

- Budget Memo
- Agenda

City of North Miami Beach, Florida

Date: August 6, 2025

To: Mayor and City Commissioner

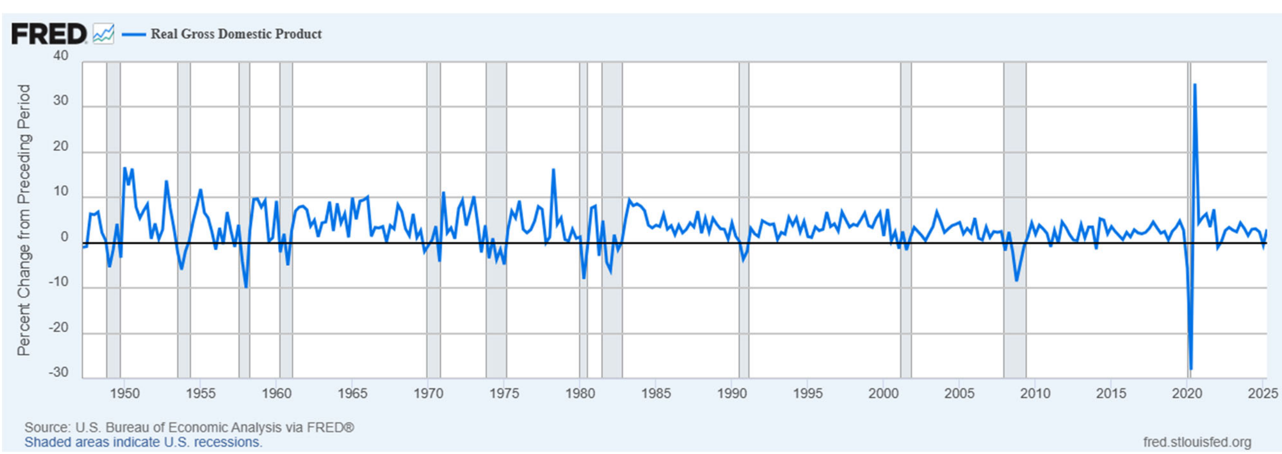
From: Tarik Rahmani, CFO/Interim Deputy City Manager

Subject: FY 2025-2026 Budget Workshop –Economic Conditions and Significant Factors

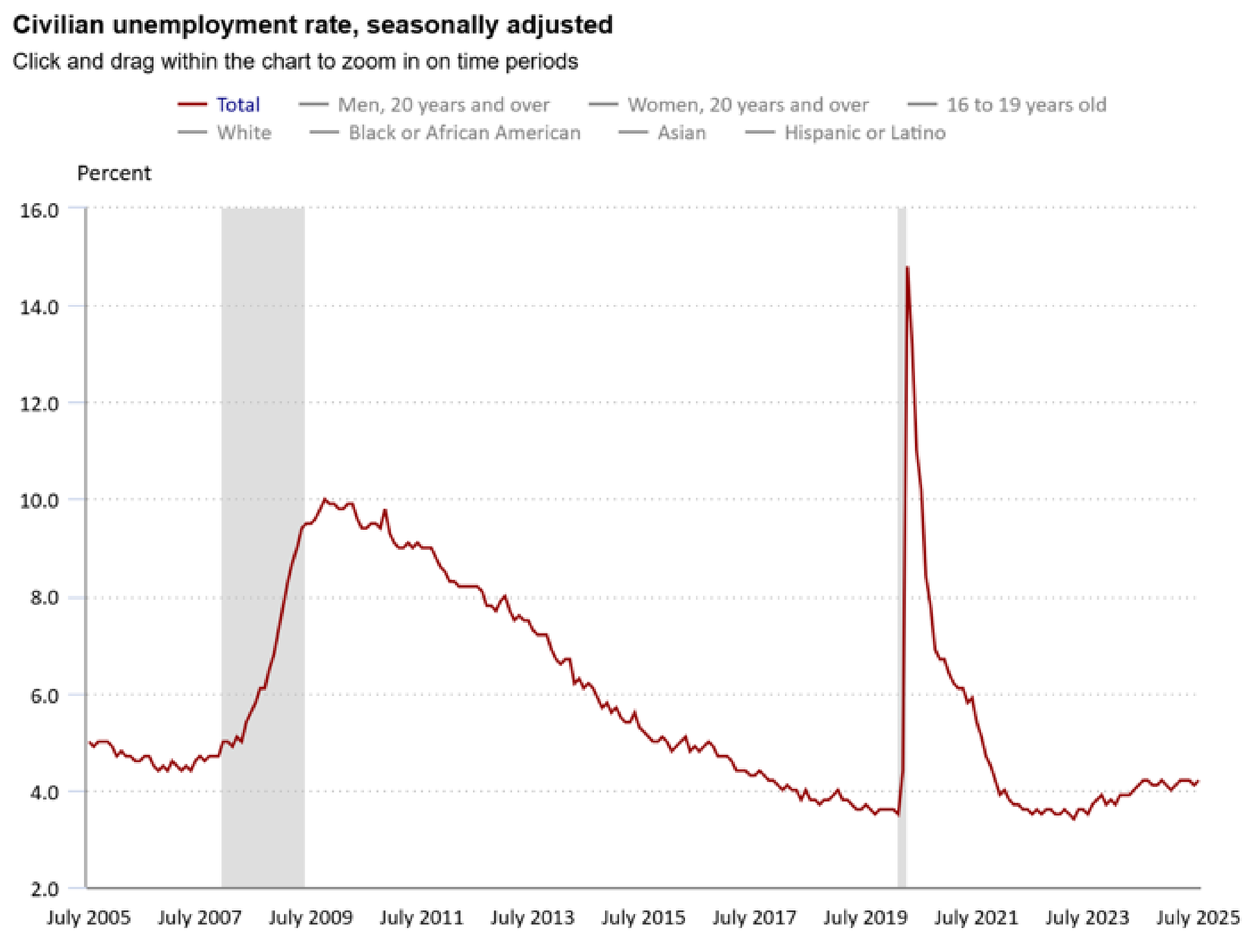
This memo provides a comprehensive overview of current economic conditions and projections at the national, state, county, and city levels. It is intended to support our Budget Workshops presentation, framing the context for FY 2025–26 budget decisions. All figures are the latest available as of July 2025, sourced from credible public data. The outlook covers: (1) **U.S. National Economic Conditions**, (2) **State of Florida Overview**, (3) **Miami-Dade County Outlook**, and (4) **City of North Miami Beach Factors**.

1. National Economic Conditions (United States)

GDP Growth: The U.S. economy is growing at a moderate pace in 2025. After a strong 2.6% real GDP growth in 2024, growth is expected to cool to around 1.9% in 2025 and 1.8% in 2026, according to Congressional Budget Office (CBO) projections. First quarter 2025 GDP was sluggish, but Q2 2025 saw a rebound – private forecasts pegged Q2 annualized growth near 2.3% after a brief contraction in Q1. This suggests the national economy has largely overcome early-2025 headwinds. Looking further ahead, CBO and Federal Reserve forecasts anticipate long-run GDP growth of about 1.7–1.8% annually, reflecting a return to a steady but slower expansion rate over the coming decade.

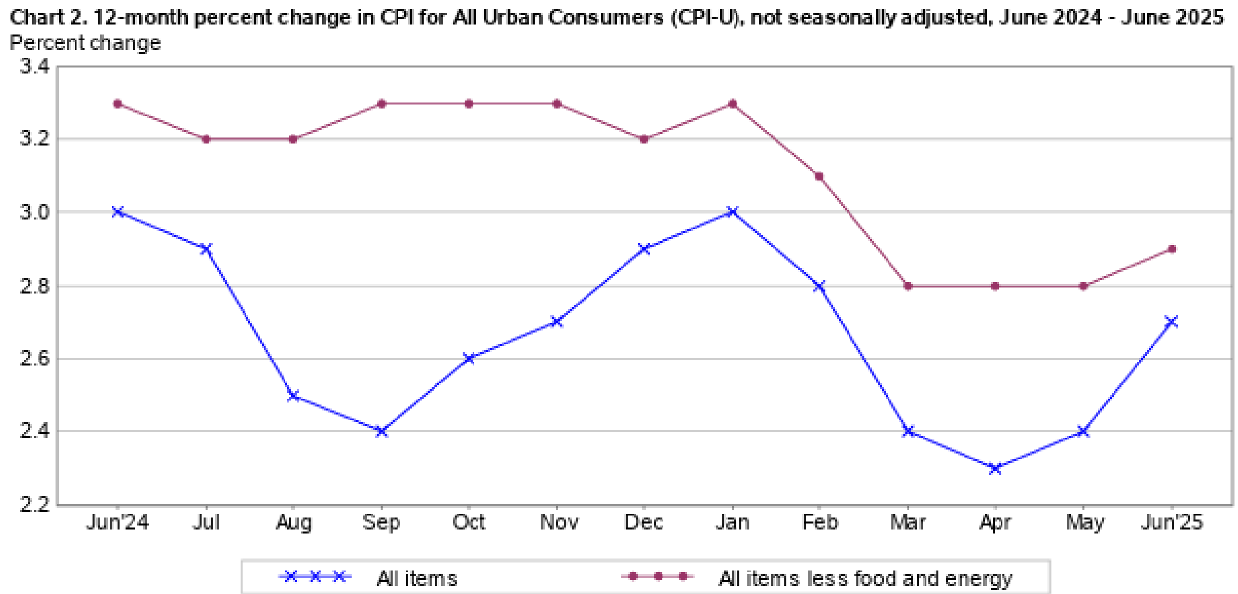


Labor Market: The U.S. labor market remains remarkably strong by historical standards. Unemployment has been hovering just above 4% nationally. As of June 2025, the unemployment rate was approximately 4.1%, near 50-year lows. Monthly job creation, while down from the post-pandemic boom, is still more than sufficient to absorb new workers – nonfarm payrolls grew by an average of 150,000 jobs per month in Q2 2025, an acceleration from ~111,000 in Q1. Wage growth (adjusted for inflation) has turned positive in 2025 as inflation eased, supporting consumer spending. Going forward, forecasters expect unemployment to edge up slightly but remain low by historical norms – the CBO projects the jobless rate may rise toward 4.4% over 2025–2026, consistent with a gently cooling labor market. Even with some uptick, this level is in line with estimates of "full employment." Overall, job market conditions are solid, with plentiful job openings (about 1.05 vacancies per unemployed on average in mid-2025) and businesses still hiring, albeit at a more measured pace than last year.



Source: U.S. Bureau of Labor Statistics.

Inflation: Inflation has moderated significantly in 2025, though it remains a key factor in the economic outlook. After peaking in 2022, consumer price inflation has come down close to the Federal Reserve's 2% goal. As of June 2025, headline CPI was +2.7% year-over-year, and core inflation (excluding food and energy) was around 2.9%. These figures ticked up slightly in June due to base-year effects and energy costs, but broadly price growth has cooled. In fact, inflation in Q2 2025 ran at an annualized 2.4% pace, down from 2.6% in Q1. Key drivers of the earlier inflation surge – such as housing rents and core services – have eased considerably. Looking ahead, the CBO forecasts inflation (Personal Consumption Expenditures index) will slow to about 2.2% in 2025 and 2.1% in 2026, essentially converging on the Fed's target by 2026.



This is a marked improvement from the 5–7% inflation rates seen in 2021–2022. Barring new shocks, price stability is expected to be largely restored over our budget horizon, which should alleviate pressure on City expenses and wage demands. However, any resurgence of inflation (even temporary) could prompt renewed monetary tightening and is a risk to monitor.

Interest Rates and Monetary Policy: To combat the earlier inflation, the Federal Reserve undertook aggressive interest rate hikes in 2022–2023. As of mid-2025, the Fed's benchmark federal funds rate sits in the mid-5% range, its highest in 15+ years. The Fed has paused further rate increases and is adopting a "wait and see" stance, given the progress on inflation. Current policy rates (5%+) are expected to remain elevated through 2025 and only gradually decline thereafter.

The CBO's latest outlook (Jan 2025) projects the fed funds rate will ease to roughly 4.6% by late 2024 and ~3.4% by 2026, still above pre-pandemic norms. Long-term borrowing costs have also risen: the 10-year Treasury yield is averaging about 3.8–4.0% in 2025 and is forecast to hover near 3.9% into 2026. For budget planning, this means the City will face higher debt service costs on any new bond issuance or refinancing.

Credit conditions are something to watch, but overall the outlook assumes stable-to-tight financial conditions in the near term, loosening modestly by 2026 as inflation declines. The Federal Reserve has indicated it will keep policy restrictive until it is confident inflation is sustainably at 2%.

Summary: The national economic backdrop for FY 2025–26 is one of steady, if slower, growth with much lower inflation and very low unemployment. Real GDP is expanding around 2%, and the risk of near-term recession has receded somewhat, although growth is expected to moderate.

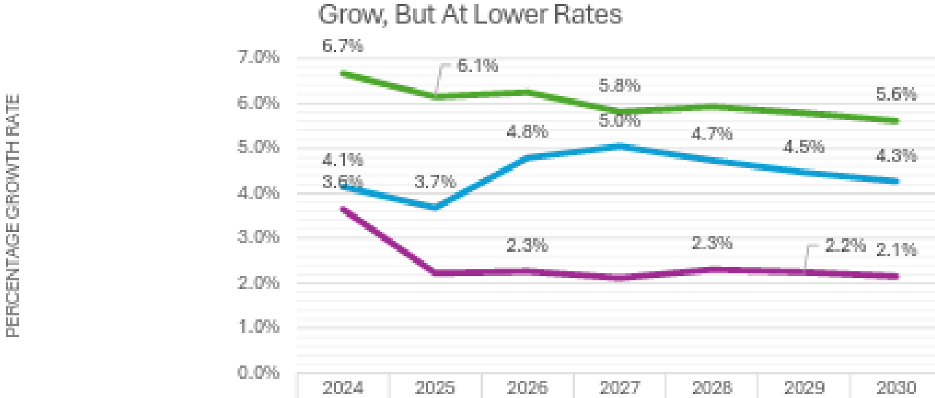
Key national risks to be mindful of include: potential Fed over-tightening, geopolitical trade disruptions (there have been new tariffs announced in 2025), and any resurgence of inflation (e.g. from energy prices) that could renew economic uncertainty. The U.S. fiscal outlook is also challenging (federal deficits remain high, over $1.7 trillion, which could influence interest rates). Overall, however, the baseline national outlook is cautiously positive for the coming fiscal year – a good sign for City revenues linked to economic activity (sales taxes, property tax, etc.), but also a reminder to budget prudently in case growth underperforms.

2. State of Florida Economic Overview

Growth and Employment: Florida's economy continues to outperform the national economy in many respects, though a mild cooling is expected in 2025. In 2024 the state's real GDP grew by an estimated **3.6%**, well above the U.S. rate. This strong growth is slowing somewhat – forecasts indicate Florida will expand at a more moderate pace in 2025, roughly in the 2.0–3.0% range, yet still above the U.S. average.

FIGURE 3.

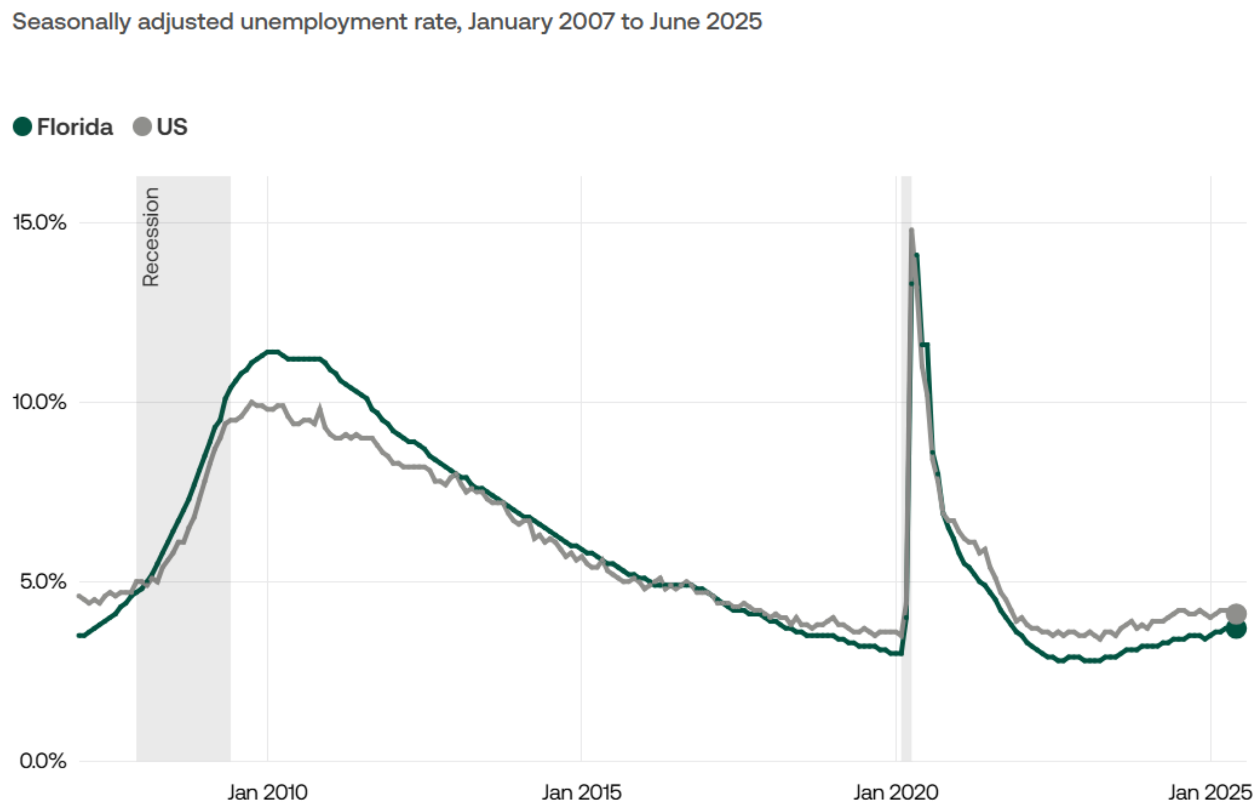
Florida's Personal Income and Overall Economy Will Continue to Grow, But At Lower Rates



	2024	2025	2026	2027	2028	2029	2030
Florida GDP	6.7%	6.1%	6.2%	5.8%	5.9%	5.8%	5.6%
Florida Real GDP	3.6%	2.2%	2.3%	2.1%	2.3%	2.2%	2.1%
Personal Income Per Capita	4.1%	3.7%	4.8%	5.0%	4.7%	4.5%	4.3%

Source: REC Group

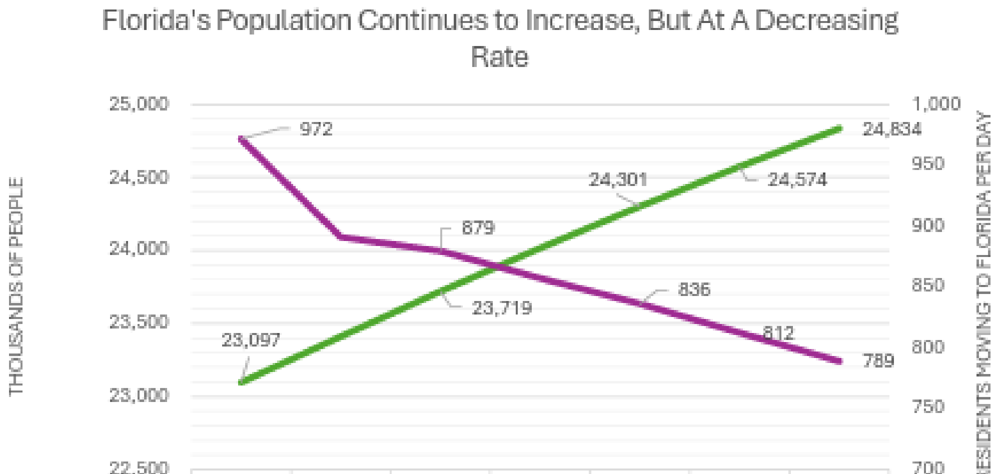
One major driver is Florida's robust job market. Florida had the fastest job growth of any large state in recent years, and while employment gains are set to moderate, they remain healthy. As of June 2025, Florida's unemployment rate stands at 3.7% (seasonally adjusted), slightly higher than last year but below the national rate.



Statewide payrolls were up about 1.4% year-over-year through mid-2025 – indicating continued job creation, though at a gentler pace than the post-pandemic surge. Notably, Florida's unemployment has consistently run lower than the U.S. (by about 0.5–1.0 percentage points) and is expected to remain markedly below the nation in 2025–26. In short, Florida's labor market is strong, with solid hiring in sectors like education/health (+3.2% y/y), trade/transportation (+1.4%), and others as of mid-2025. The state unemployment rate may rise modestly (CBO sees Florida mirroring the national uptick to ~4.5% by 2027), but no major labor market slack is foreseen in our budget window.

<u>Population and Demographics</u>: Florida's population growth remains a cornerstone of its economic vigor. The state continues to attract new residents at a high rate, though the pace of net in-migration is gradually slowing from recent peaks. Florida added over 300,000 new residents in 2024, and projections show the population increasing by 1.4 million between 2025 and 2030. This averages to roughly +280,000 people per year, reflecting a net influx (about 800–900 new residents per day in the mid-2020s). While the pandemic-era migration boom (nearly 1,000 per day in 2024) may temper to ~790 per day by 2030, Florida is still one of the **fastest-growing states**.

FIGURE 1.

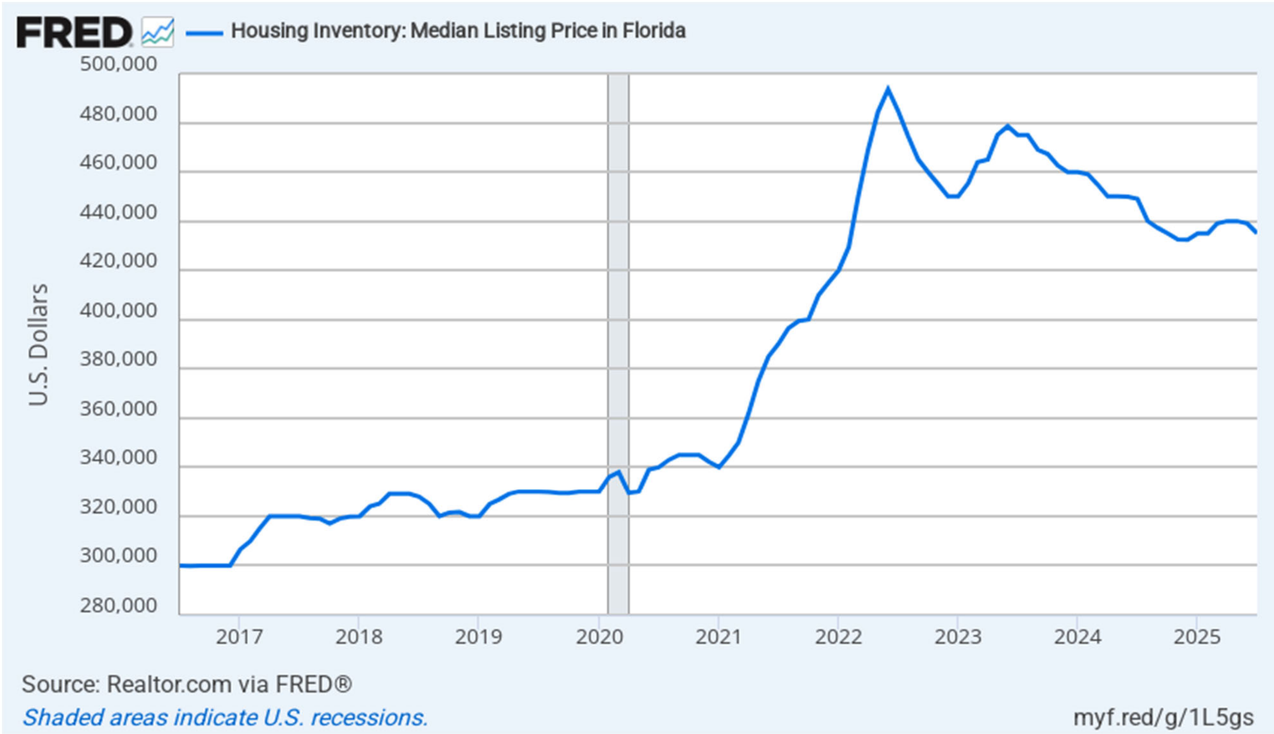


	2024	2025	2026	2027	2028	2029	2030
Population	23,097	23,411	23,719	24,016	24,301	24,574	24,834
Net Migration	972	891	879	857	836	812	789

Source: REC Group

South Florida in particular benefits from both international immigration and domestic inflows (often from high-tax, high-cost states). For North Miami Beach, continued regional population growth means increased demand for City services (from parks to utilities) and generally a broader tax base. However, it also puts pressure on housing and infrastructure.

<u>Housing and Real Estate:</u> Florida's housing market is in a period of rebalancing after the frenetic price increases of 2020–2022. Higher mortgage interest rates have cooled demand, which in turn has slowed price appreciation and increased inventory. Statewide, home prices have leveled off and even dipped in some markets year-over-year. For example, in May 2025 the median sale price of a single-family home in Florida was $415,000, down 2.7% from May 2024. Condo/townhouse median prices were down about 6.1% year-over-year in May. These declines are modest and come after prices skyrocketed ~50% above 2020 levels. The market "finding its balance" is evidenced by rising for-sale inventory – more active listings in 2025 have given buyers better options and reduced bidding wars. Florida Realtors data confirm sales volumes are down (single-family home sales -5.7% y/y in May; condo sales -19.9%) as higher financing costs crimp some buyers. However, price resilience persists in many areas; the statewide price dip is uneven, with only 13 of 22 Florida metro areas seeing single-family price declines over the year. market challenges – high property insurance premiums and insurer retrenchment remain issues in Florida that could affect housing affordability and consumer confidence.



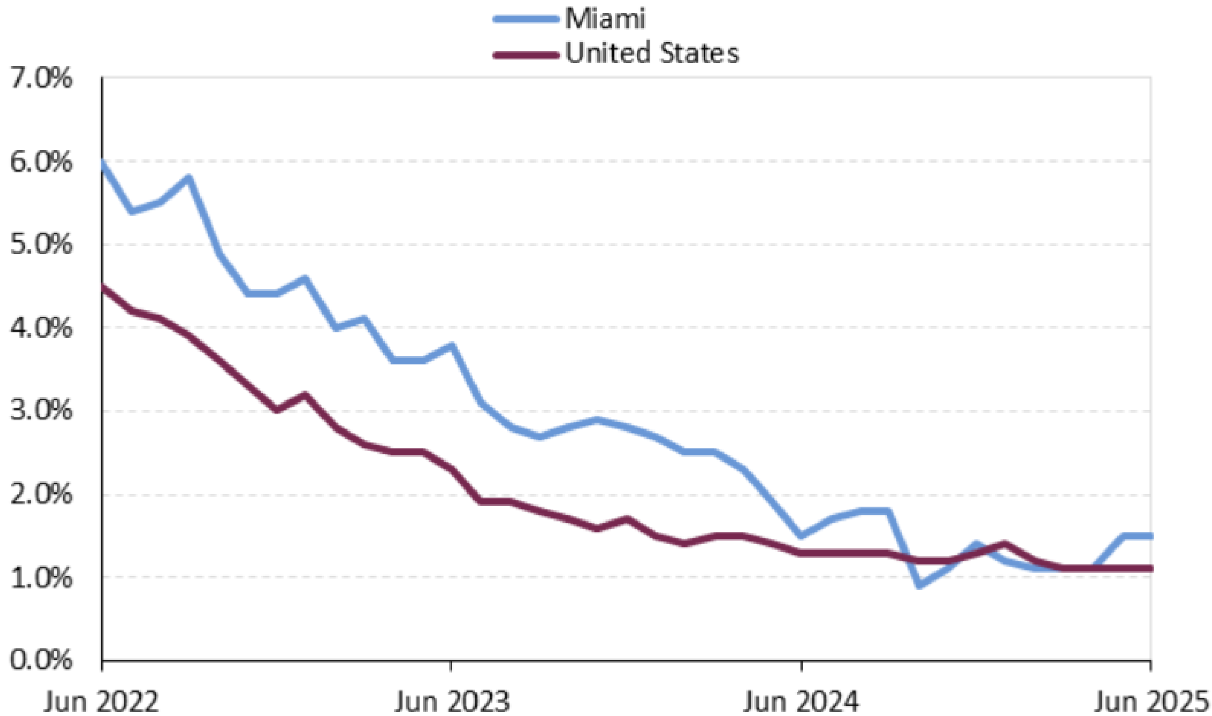
Going forward, the outlook is for modest home price growth (below 5% annually) in 2025 and a potential return to increases by 2026. High interest rates and insurance costs are capping demand, but strong population and income growth in Florida provide underlying support. For our budget, softer housing prices mean assessed values may not jump as dramatically as prior years, but they are still rising (see City section below). The construction sector remains active – housing starts and permits are down from peak levels yet remain at a healthy clip, especially for multifamily housing. Florida's homebuilders are expected to add on the order of 120,000 new single-family units in 2025 and an accelerating number of multifamily units (~40,000 in 2025). In sum, Florida's real estate sector in 2025 is stable: not the red-hot market of two years ago, but featuring gradual growth, increased inventory, and ongoing development.

State Revenues and Spending: Florida's economic strength has translated into robust state revenues in the past year. Tax collections (sales taxes, etc.) have generally come in above forecast, thanks to strong consumer spending and tourism recovery. The state's sales tax is a major revenue source, and Florida's consumer spending has been resilient – Florida consumer sentiment index was 83.9 in July 2025, reflecting steady (if cautious) confidence. One note: effective October 2025, a legislative change will eliminate the state sales tax on commercial leases (currently 5.5%), and various sales tax holidays/exemptions (e.g. for essential items) have been enacted. These policy changes will slightly reduce growth in sales tax collections going forward. However, the overall impact on our City (via revenue-sharing) is minor. Florida's FY 2025–26 budget is in good shape, with healthy reserves at the state level. Unemployment is low and personal incomes are rising (~4–5% annual personal income growth expected), which should keep state income-sensitive revenues (like documentary stamp taxes, etc.) relatively stable. The Florida Office of Economic & Demographic Research (EDR) forecasts a deceleration in economic growth from ~2.5% in FY 2023-24 to ~1.9% in FY 2024-25 (state fiscal year basis), anticipating the broader U.S. slowing.

3. Miami-Dade County Economic Outlook

<u>Employment and Business Activity:</u> Miami-Dade County's economy is expanding solidly in 2025, even outpacing many other metro areas. The Miami-Fort Lauderdale-West Palm Beach metro area added 42,600 jobs (+1.5%) year-over-year as of June 2025. This local growth rate exceeds the national job growth of +1.1% over the same period. In fact, South Florida has been outperforming the nation in job creation for much of the past three years. The chart below illustrates how Miami's employment growth (blue line) has consistently run above the U.S. average (red line), though both are gradually slowing.

Chart 1. Over-the-year percent change for total nonfarm employment in the United States and the Miami metropolitan area, June 2022–June 2025

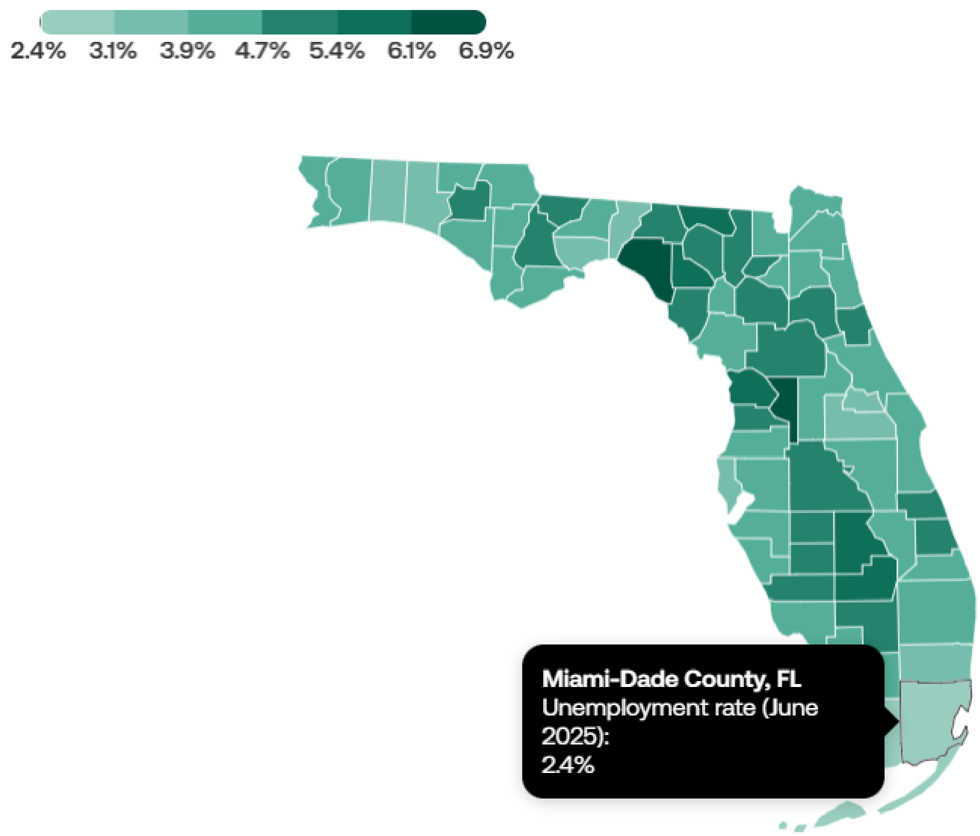


Source: U.S. Bureau of Labor Statistics.

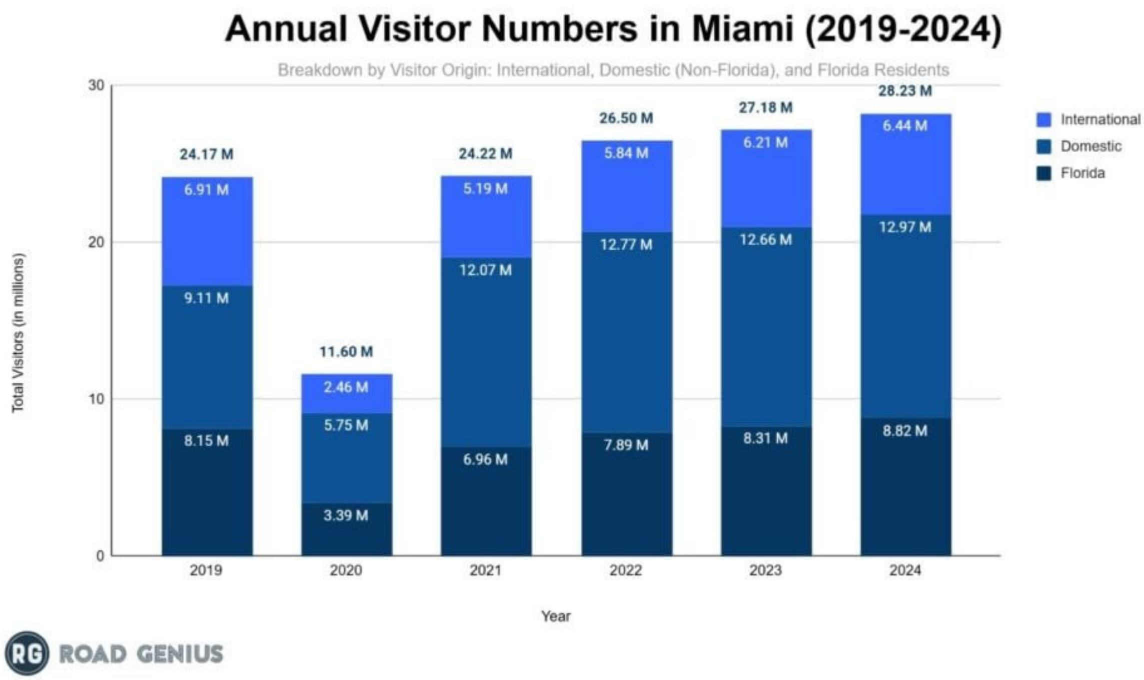
As a result of the robust job market, **unemployment in Miami-Dade is extremely low** – in June 2025 the county's unemployment rate was just **2.4% (not seasonally adjusted)**, down from 2.6% a year prior. This is **near record lows** and indicates essentially full employment locally. (For comparison, Miami-Dade's jobless rate is about a full percentage point lower than the U.S. rate.) Strong labor demand is seen across sectors: Professional services, healthcare, hospitality, and construction are all contributing to job gains. The region's status as a hub for finance and technology is growing as well (Miami MSA continues to attract firms relocating from the Northeast and California).

Unemployment rates in Florida counties ranged from 2.4% to 6.9% in June 2025.

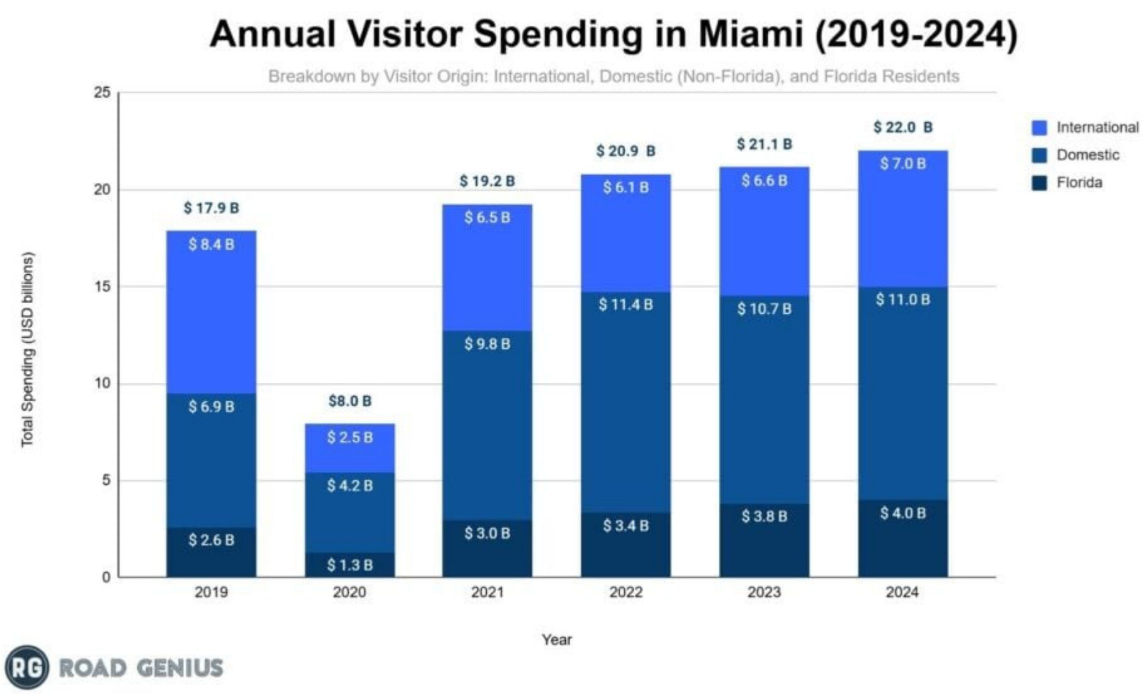
Not seasonally adjusted



Importantly, **tourism and consumer spending** have been major drivers in the county. Miami-Dade's hospitality industry is booming – our airports and seaport are welcoming visitors at historic record levels. Tourist tax collections and hotel occupancies have been strong through 2025 (the region hosted a record 142.9 million visitors in 2024 statewide, many through Miami).



High tourism flows bolster local sales tax revenues and support thousands of jobs. Sales Tax: The half-cent local sales surtax (e.g. for the transportation system) has benefited from increased spending;



<u>Construction and Development</u>: Miami-Dade continues to experience robust construction activity, though some signs of stabilization are emerging. According to the County Property Appraiser, new construction added $8.0 billion in taxable value for 2025, up sharply from $6.3B the prior year. This jump indicates many projects (residential towers, commercial developments, infrastructure) have come online, expanding the tax base. Notably, the Property Appraiser remarked that after years of rapid growth, the real estate market now “appears to have stabilized” in terms of values. We may not see such large construction gains continue indefinitely, especially if interest rates remain high. However, for the near term, construction permits and pipelines remain healthy, especially in transit-oriented development and multifamily housing. There is significant ongoing investment in downtown Miami, Aventura, and other parts of the county that benefits our local economy indirectly.

<u>Housing Market:</u> In Miami-Dade, housing demand is still high, but the price trajectory is flattening. As of early 2025, Miami-Dade single-family home prices were slightly up (+0.8% year-over-year in Feb 2025), with a median price around $655,000. Unlike the statewide trend of small declines, Miami’s top-tier market has seen prices holding or rising marginally, likely due to affluent buyer demand and limited supply in desirable neighborhoods. Inventory in Miami has risen from record lows – for example, the supply of homes on the market is near a balanced 6 months in many segments. This increased inventory is relieving upward pressure on prices and giving buyers some negotiating power (median discounts of ~5–10% off asking are reported).

<u>Affordability, however, remains a serious challenge</u>: only ~14% of renter households in the region can afford a median-priced home. Most available inventory is in higher price tiers (in Miami-Dade, only 2% of listings are under $400k; by contrast, 42% are $1M+).

<u>Taxable Values and Revenues:</u> Reflecting the above trends, Miami-Dade County’s taxable property values have risen substantially this year. The countywide 2025 preliminary taxable value is $511.8 billion, an 8.5% increase over 2024. That equates to an additional **$40.2 billion** in value on the rolls – a boon to local government revenues. New construction was a big part of this growth, as noted. Many cities in the county saw mid-to-high single-digit percentage increases in values. (For instance, the City of Miami Beach is up +6.9%; Hialeah +10.7%; North Miami +7.9%. North Miami Beach’s increase was +6.4%, detailed in the next section.) These valuation increases will translate into higher ad valorem revenues if millage rates are kept the same. We note that the County Mayor’s proposed FY 2025–26 budget holds county millage rates flat (even slightly lowering the debt service millage), effectively passing through the tax base growth to generate new revenue for priorities like housing and transit. Miami-Dade’s budget this year had to address some significant challenges – including a $402 million projected shortfall driven by rising costs and the new constitutional offices (Sheriff, etc.) being established.

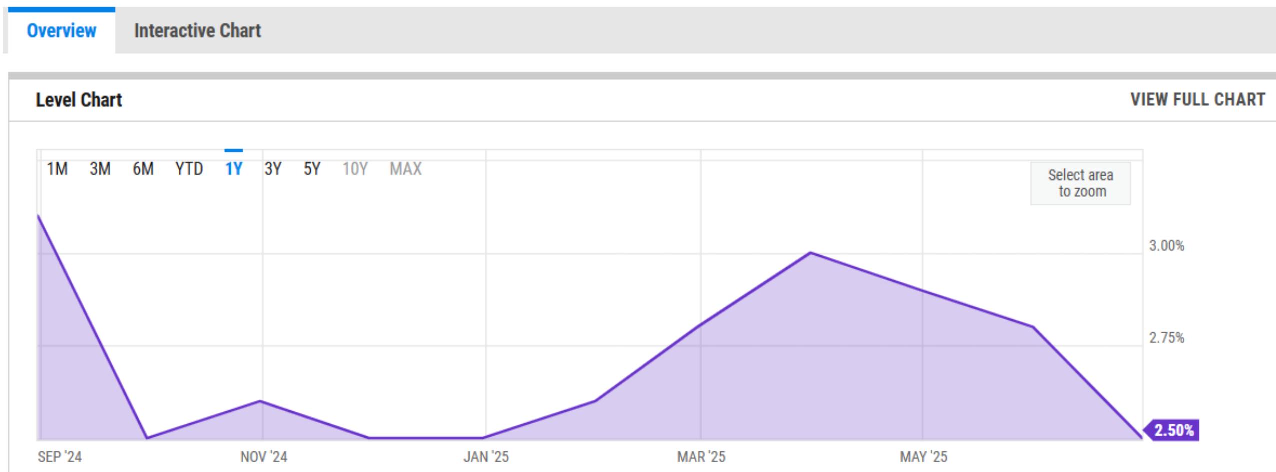
<u>Key Economic Development Factors:</u> Miami-Dade’s economy has some unique positive momentum going into 2026. The county led the state in new business formations – over 140,000 new business applications were filed in the Miami area in the past year, reflecting an entrepreneurial boom. Sectors like technology and finance are expanding (Miami is ranked a top market for tech and finance job migration). Major infrastructure projects (PortMiami upgrades, airport expansion, transit improvements) are underway, which not only create jobs but also improve long-term economic capacity. On the flip side, we remain vigilant about risks: Miami-Dade is highly exposed to international economic trends (Latin American economies, global trade wars, etc.) and climate risks (hurricane season 2025 is expected to be active – storms could disrupt the economy or necessitate unplanned expenditures). Additionally, housing unaffordability could eventually act as a brake on growth if workers cannot find reasonably priced housing. For now, though, the county’s outlook is positive.

4. City of North Miami Beach Economic Factors

At the City of North Miami Beach level, we are seeing the effects of the above broader trends in our own economic and fiscal indicators. The local economy is growing and financially improving, though not without challenges. This section highlights factors specific to NMB that will influence the FY 2025–26 budget, including property values and ad valorem revenue, other key revenues, expenditures and service demands, and any significant local issues (capital needs, reserves, millage policy, etc.).

North Miami Beach, FL Unemployment Rate (I:NMBFLUR)

2.50% for Jun 2025



Taxable Property Values and Ad Valorem Revenue: Our City's property tax base has grown solidly for the upcoming year. The 2025 certified taxable value for North Miami Beach is $5.703 billion, which is a +6.4% increase over last year's value (approx. $5.337 billion). This growth is a combination of appreciation on existing properties ($32 million in new construction value this year). While NMB's value growth (6.4%) is slightly below the countywide average (8.5%), it is in line with the general South Florida trend of mid-single-digit gains. It reflects, among other things, rising residential values in our neighborhoods, some new multifamily projects coming online, and commercial property improvements. Ad valorem (property) tax revenue is the City's primary general fund revenue source, so this increase in the tax base is critical. Using the certified value and assuming the proposed millage, we project $34.79 million in gross ad valorem revenues for FY 2025–26 (excluding early payment discounts and collection costs). This is a roughly $2 million increase in property tax revenue compared to the current year's budget, providing much-needed funds to cover inflation in operating costs and key initiatives.

Millage Rate Policy: The Mayor and Commission adopted to hold the operating millage rate at 6.1000 mills for FY 2025–26, the same rate as the current year. The combined proposed millage is 6.3000 mills. By keeping the operating millage flat, the City will capture the 6.4% growth in the tax base as new revenue.

General Fund Revenue: The City of North Miami Beach is projecting **$75.4 million** in General Fund revenues for Fiscal Year 2026. This represents an increase of **$3.15 million**, or **4.4%**, compared to the FY 2025 adopted budget of **$72.2 million**.

This level of growth reflects a stable but maturing local economy. The revenue expansion is driven primarily by strong property tax collections and continued interfund transfers to support core services. While the pace of growth is moderate, it provides breathing room for strategic investments and public services without placing added pressure on taxpayers or requiring an increase to the millage rate.

However, not all revenue lines are growing. Some, like utility franchise fees and red-light camera fines, show signs of softening. Meanwhile, investment income and ad valorem revenue are outperforming expectations, helping offset these declines. From a policy standpoint, this diversified revenue base gives the Commission room to manage near-term needs and long-term obligations with greater resilience.

Understanding the Top GF Revenue Sources: Below is an economic breakdown of the City's top revenue streams. Each source is numbered to clarify its role in our fiscal framework:

- *Operating Property Tax (Ad Valorem - Operating Millage):*
  This is the dominant revenue source, generating **$34.8 million** in FY 2026 (vs. $31.5 million in FY 2025). The 10.3% increase reflects growth in certified taxable property values—driven by new construction, property appreciation, and stable millage. Property values certified by the County Property Appraiser guide this revenue stream.

- *Communications Services Tax*
  Forecasted at **$2.5 million**, this local share of state-level communications taxes includes taxes on phone, internet, streaming and mobile services. The revenues held steady year-over-year, reflecting stable service consumption but no major growth. The state rate is 7.44% plus local surtax, with exemptions for residential services.

- *Gas Tax – Local Option (5¢)*
  Projected at **$2.02 million**, this revenue derives from a voter-approved optional local fuel tax. FY 2026 forecasts match FY 2025. Growth in fuel consumption is flat, consistent with broader mobility trends.

- *Red Light Camera Fines*
  Projected to rise to **$1.5 million**, up from $1.3 million. The 15% increase reflects stricter enforcement and improved collections. While fine revenues are often sensitive to volume and public behavior, current trends are supporting this modest uptick.

- *Interest Earnings*
  Budgeted at $650K, rising nearly 100% from $325K in FY 2025. The increase reflects favorable short-term interest rates and our maintained reserve balances in higher-yield accounts.

- *Gas Tax – Local Option (1¢)*
  Coming in at **$640K**, this matches prior-year levels. It supplements the 5¢ tax and is included in shared fuel tax distributions.

- *FPL Franchise Fees*
  Projected at **$570K**, down slightly from $630K—a ~10% decline. The change may reflect contractual rate adjustments or customer usage shifts.

Beyond property taxes, North Miami Beach's budget is influenced by several other revenue streams tied to economic conditions. The half-cent sales tax revenue we receive from the state is projected to grow modestly (~2–3%) in FY 2025–26, supported by consumer spending and population gains. We base this on state forecasts and Miami-Dade's trends; the Florida Department of Revenue's most recent distribution data show our half-cent revenue up year-over-year. Utility taxes and franchise fees (on electricity, gas, communications) are also influenced by economic activity and prices – with higher fuel costs earlier in 2023–24, electric utility tax revenues saw an uptick. For 2025–26 we assume a normal growth as energy prices stabilize. Tourist taxes: While NMB does not directly receive resort tax, our local economy benefits from tourism (e.g. patronage of restaurants, etc., which boosts local business tax and sales). State-shared revenues (like the Municipal Revenue Sharing program) are expected to be stable or slightly higher; Florida's overall revenue sharing pool is growing, but our city's share depends on our population ratio (which is relatively constant around ~43,000 residents).

<u>Grants:</u> We continue to pursue state and federal grants for capital projects – any such awards (for example, resiliency or infrastructure grants) would impact our budget on the revenue side once confirmed. At this time, we assume baseline levels of grant funding.

<u>General Fund Reserve:</u> In a significant financial move during 2024, the North Miami Beach City Council officially adopted a minimum fund balance policy specifically for its General Fund. This new policy is a critical step towards strengthening the City's financial resilience and ensuring its long-term stability.

The core of this policy is a clear mandate: the unassigned fund balance within the General Fund, at the conclusion of each fiscal year, must be maintained at a level equal to at least 20% of the previous year's budgeted operating expenditure. This 20% target acts as a crucial financial safety net, providing the City with readily available resources to navigate unforeseen emergencies, cover unexpected expenses, or bridge temporary revenue shortfalls without disrupting essential public services. It also demonstrates fiscal prudence to bond rating agencies and potential investors, which can lead to better interest rates on borrowing for capital projects.

It's important to note that this mandated 20% reserve is explicitly designed to be in addition to all other existing reserves or designations of fund balance. This means the City's other earmarked funds—such as those set aside for specific capital projects, debt service, or long-term liabilities—remain untouched. The unassigned fund balance serves as a distinct, flexible reserve for general operational needs.

At the close of fiscal year 2024, the City's financial reports indicate that **the total unassigned fund balance in the General Fund reached approximately $18,463,482**, which represents roughly 23.11% of the General Fund budget.

This figure provides a snapshot of the City's adherence to its new policy in its inaugural year and reflects its commitment to sound financial management.

<u>Expenditure Pressures and Service Demands:</u> The City of North Miami Beach is projecting $83.37 million in General Fund expenditures for Fiscal Year 2026, an increase of $3.46 million (+4.3%) compared to the FY 2025 adopted budget of $79.90 million.

This moderate increase is consistent with overall inflationary pressures and the city's efforts to sustain key services while managing compensation obligations, cost of goods, and interdepartmental transfers.

Key Cost Drivers:

- **Salaries** remain the largest driver of expenditures, increasing by $3.1 million, or +9.6%, from the prior year. This reflects recent collective bargaining agreements, adjustments for inflation, and staff additions across key service areas.

- **Pensions and 401(a)** obligations have also grown significantly, rising by $1.7 million (+14.2%). This growth is tied to market volatility, updated actuarial assumptions, and an ongoing commitment to protect long-term employee retirement benefits.

- **Employee benefits**, including health insurance, rose by $755,000 (+14.6%), reflecting premium increases and enrollment changes.

- **Transfers Out** increased by $1.18 million, supporting enterprise and internal service fund operations that rely on General Fund contributions.

From a policy and economic standpoint, this budget reflects a balanced approach. The city is absorbing unavoidable cost increases—mostly labor-related—while exercising restraint in non-personnel spending. As pension, salary, and benefits trends continue to shape the financial outlook, it is crucial for the Commission to view these investments as commitments to workforce stability and public service delivery.

City of North Miami Beach

Budget Workshop

Fiscal Year 2025-2026

Prepared by: Tarik Rahmani, CFO/Interim Deputy City Manager

August 6, 2025

Agenda – 1st Budget Workshop

- Economic Conditions and Significant Factors

- FY 2025-2026 Proposed Operating Budget
  - ➢ Reserve
  - ➢ Net Revenue
  - ➢ Net Appropriations by
    - ✓ Category
    - ✓ Function
    - ✓ Fund Type
  - ➢ Department Budget Changes and requests
  - ➢ Personnel FTE Count and appropriation

Agenda – 1st Budget Workshop (continued)

- Department Proposed Budget
    - Police
    - Public Works
    - Parks and Recreation
    - Information Technology
    - Community Development
    - Procurement
    - Library

Agenda – 2nd Budget Workshop

- Department Proposed Budget
    - Capital Improvement Program
    - NMB Water
    - City Manager's Office
    - Building
    - Human Resources and Risk Management
    - Finance
    - City Clerk's Office
    - Special Events Schedule