



City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMISSION MEMORANDUM

TO: Mayor Dan Gelber and Members of the City Commission **Second Reading**

FROM: Raul J. Aguila, Interim City Manager

DATE: April 21, 2021

SUBJECT: **AN ORDINANCE OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, AMENDING CHAPTER 2 OF THE CITY CODE, ENTITLED ADMINISTRATION, BY AMENDING ARTICLE VI THEREOF, ENTITLED PROCUREMENT, BY AMENDING DIVISION 3 THEREOF, ENTITLED CONTRACT PROCEDURES, BY AMENDING SECTION 2-378, ENTITLED "INSPECTOR GENERAL CONTRACT ALLOCATION," TO REPEAL PROVISIONS RELATING TO THE CONTRACT ALLOCATION METHODOLOGY UTILIZED FOR FUNDING THE OFFICE OF INSPECTOR GENERAL; PROVIDING FOR REPEALER, SEVERABILITY, CODIFICATION AND AN EFFECTIVE DATE.**

RECOMMENDATION

The Administration recommends approval of the Ordinance on Second Reading.

BACKGROUND

On November 6, 2018, the City's voters approved an amendment to the City Charter creating the City of Miami Beach Office of Inspector General (OIG). On February 23, 2019, the City Commission adopted Ordinance No. 2019-4239 which created the OIG. On January 15, 2020, the City Commission adopted Ordinance No. 2020-4325, which created a dedicated fund for the activities and operations of the OIG Fund, as well as a funding mechanism consisting of a specified percentage of the contract expenditures made under all City contracts (except for some express exceptions).

ANALYSIS

The current contract allocation methodology consists of charging one half of one percent (0.5%) of the contract amounts expended by the City pursuant to all City contracts, except for the following exceptions: auditing contracts; insurance contracts; contracts for legal services; contracts for financial advisory services; leases and facility rental agreements; management agreements; revenue generating contracts; federal, state, and local government agreements, including grants; interlocal agreements; grant agreements; and contracts for emergency purchases. The total amount allocated to the OIG Fund for any individual City contract is capped at \$50,000. The contract fee allocations are treated as revenue to the OIG Fund and are exclusively dedicated for the operations and activities of the OIG.

The idea behind the Ordinance was to create a consistent, recurring funding mechanism that, over time, would make the OIG self-sustaining. The OIG's total General Fund budget for FY 2021 is \$1,459,000; 50% funded by the City and 50% funded by the 0.5% contract allocation. The goal was to fund 100% of the OIG's General Fund budget from the 0.5% contract allocation, once we could more accurately determine how much revenue to the OIG the contract allocation will generate at the end of FY 2021.

*AMENDING SECTION 2-378, ENTITLED "INSPECTOR GENERAL CONTRACT ALLOCATION," TO
REPEAL PROVISIONS RELATING TO THE CONTRACT ALLOCATION METHODOLOGY UTILIZED
FOR FUNDING THE OFFICE OF INSPECTOR GENERAL*

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Following the conclusion of the 2020 fiscal year, the amount of administrative work necessary to support the current contract fee allocation has led to several discussions between the OIG and the Administration regarding the efficiency of the current methodology. Following these discussions, the Inspector General and the Administration recommend repealing the contract allocation methodology codified in Section 2-378 of the City Code, to permit the City to adopt a more flexible internal service fund methodology for annual funding of the Office of Inspector General, similar to the approach utilized with other departments such as City Clerk Central Services; Fleet Management; Information Technology; Property Management; Risk Management; and Medical & Dental Insurance.

The proposed change in methodology would be implemented beginning with the 2022 fiscal year since the current methodology was used for the development of the 2021 fiscal year budget. Under the new methodology, the OIG's total General Fund budget in FY 2022 would be allocated out to departments on a budget basis (total department budget less payroll costs). This change would not result in the General Fund contributing more than the current \$730,000 in FY 2021 and would most likely be somewhat less using the new allocation basis.

The proposed Ordinance amendment would otherwise leave intact the required contract provisions which provide audit and other rights to the Inspector General in connection with City contracts and competitive solicitations.

On March 17, 2021, the City Commission unanimously approved the proposed ordinance amendment at first reading.

CONCLUSION

The Inspector General and the Administration recommend repealing the contract allocation methodology codified in Section 2-378 of the City Code, to permit the City to adopt a more flexible internal service fund methodology for annual funding of the OIG.

RJA/JW