



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

## COMMISSION MEMORANDUM

TO: Mayor Philip Levine and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: November 13, 2017

SUBJECT: **A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ADOPTING THE FOURTH AMENDMENT TO THE GENERAL FUND, ENTERPRISE FUND, INTERNAL SERVICE FUND, AND SPECIAL REVENUE FUND BUDGETS FOR FISCAL YEAR (FY) 2016/17.**

### **ADMINISTRATION RECOMMENDATION**

Adopt the Resolution amending the General Fund, Enterprise Fund, Internal Service Fund, and Special Revenue Fund budgets for FY 2016/17.

### **COMPLIANCE WITH FLORIDA STATUTES**

The First Amendment to the General Fund, Enterprise Fund, Internal Service Fund, and Special Revenue Fund budgets for FY 2016/17 was approved on November 18, 2016 by Resolution No. 2016-29654. The Second Amendment was approved on February 8, 2017 by Resolution No. 2017-29745. The Third Amendment was approved on April 26, 2017 by Resolution No. 2017-29830. Florida Statutes, Section 166.241(4)(c.), requires that a municipality's budget amendment must be adopted in the same manner as the original budget.

Pursuant to Florida Statute, Section 166.241, the City has 60 days following the end of the fiscal year to amend a budget for that year. Proposed budget amendments represent the budget amendment required by State law for funds, departments, or accounts that exceed their appropriated authority.

Based on a detailed analysis comparing preliminary year-end actual expenditures to budget, all expenditures are within the FY2016/17 amended budgets per their appropriated authority, except those listed below, which are **primarily due to Hurricane Irma related expenditures** and therefore require a budget amendment per Florida Statute.

General Fund: Police, Fire, and the Department of Emergency Management  
Enterprise Funds: Sanitation

It should be noted that actual year-to-date expenditures are preliminary in nature due to the fact that the City's financial records are not closed until completion of the annual audit conducted by the City's external auditors. Historically, this occurs in April with the City's Comprehensive

Annual Financial Report (CAFR) For the Year Ended September 30, 2017, which is usually available in May, and the External Auditor’s Report, which is usually available in July. As a result, this analysis has considered all year-end adjustments to date, as well as pending adjustments where appropriate.

**GENERAL FUND ANALYSIS**

The preliminary year-end analysis for FY 2016/17 shows that the General Fund has a preliminary operating budget surplus of \$8 million, or 2.5%, of the amended General Fund operating budget based on standard City operations. This is primarily due to expenditures budgeted in FY 2016/17 that have been delayed to FY 2017/18, and \$3 million that was anticipated to be carried forward as part of the FY 2017/18 adopted budget. It is important to note that the FY 2016/17 General Fund emergency expenditures related to Hurricane Irma are currently estimated at approximately \$3.4 million. Once these emergency costs are factored into the analysis, the projected General Fund surplus decreases to approximately \$4.7 million, as outlined below.

<b>FY 2016/17 Budget</b>			
General Fund	Adopted Budget as amended through November, 2017	Preliminary FY 2016/17 Year-End	Difference
Revenues	\$ 319,523,000	316,795,000	\$ (2,728,000)
Expenditures	319,523,000	308,719,000	(10,804,000)
<b>Estimated Surplus/(Deficit)</b>	<b>\$ 0</b>	<b>\$ 8,076,000</b>	<b>\$ 8,076,000</b>
<b>Less:</b>			
Hurricane Irma- Related Expenses		(3,390,000)	
<b>Estimated Surplus/(Deficit) including Hurricane Irma Expenses</b>	<b>\$ 0</b>	<b>\$ 4,686,000</b>	<b>\$ 8,076,000</b>

As a result of the emergency expenditures, \$3.4 million of General Fund emergency reserves will be accessed in order to continue the City’s operations as usual, as outlined below. It is estimated that sixty percent of the hurricane-related expenses within the General Fund will be reimbursed by FEMA in the near future, leaving approximately \$1.4 million of potential unreimbursed expenses in the General Fund. The reimbursements will be used to replenish these emergency reserves.

A portion of the General Fund surplus is due to Building Department revenues in excess of expenses, resulting in an estimated surplus of approximately \$1.5 million attributable to Building operations. These funds are restricted for activities related to enforcement of the Florida Building Code and cannot be used to balance the rest of the General Fund budget. Once the FY2016/17 financial statements are audited, the final building reserve will be determined.

Of the \$4.6 million surplus, \$2,403,000 is needed to be carried forward into FY2017/18 to fund goods and/or services that were procured, but not received in FY2016/17 due to timing issues between fiscal years.

Similarly, it is proposed that \$1,209,000 be carried forward into FY2017/18 for projects that were originally budgeted in FY2016/17, but not completed.

Lastly, the FY2016/17 budget included a \$3 million reserve set-aside to help balance the FY2017/18 budget. This amount will be reserved in the General Fund balance to meet this obligation.

<b>Estimated Surplus</b>	<b>\$ 8,076,000</b>
Building Reserve	(1,534,000)
Carryforward of FY17 Encumbrances	(2,403,000)
Carryforward of FY17 Appropriations	(1,139,000)
FY17 Reserve Set Aside for FY18	(3,000,000)
<b>Sub-Total</b>	<b>\$ 0</b>
Hurricane Irma-Related Expenses	<b>(3,390,000)</b>
Use of General Fund Emergency Reserves	3,390,000
<b>Total</b>	<b>\$ 0</b>

The City's financial policies require that one-time revenues (such as the year-end surplus) must be used for non-recurring expenses, and that at least half of the annual year-end surplus must be allocated to the City's Capital Reserve Fund. However, considering the limited surplus, which resulted from the impact of Hurricane Irma, the Administration recommends waiving this policy for FY2016/17.

### PROPOSED AMENDMENTS TO THE GENERAL FUND

Preliminary year-end actual expenditures indicate that the following departments are projected to exceed the FY2016/17 amended budget, **primarily due to Hurricane Irma related expenditures.**

**Police** – The department is projected to be above the amended budget by \$1,040,000, or 1.0%. The variance is due to approximately \$1,700,000 in additional overtime expenditures for the deployment of additional sworn police personnel during Hurricane Irma to ensure public safety citywide.

<b>Police</b>				
	Amended Budget	Projected	Variance Projected vs Amended Budget	% Over / (Under)
Expenditures	\$ 104,401,000	\$ 105,441,000	\$ 1,040,000	1.0%

**Fire** – The department is projected to be \$303,000, or 0.4%, above the amended budget. The variance is due to approximately \$438,000 in additional overtime expenditures for additional emergency medical services personnel on duty during Hurricane Irma.

<b>Fire</b>				
	Amended Budget	Projected	Variance Projected vs Amended Budget	% Over / (Under)
Expenditures	\$ 71,938,000	\$ 72,241,000	\$ 303,000	0.4%

**Emergency Management** – The department is projected to be \$1,851,000, or 17.8%, above the amended budget. The third quarter projection noted that the department was projected to exceed the budget by \$599,000 due to the department experiencing difficulty filling call-taker positions in the Public Safety Communications Unit, which resulted in the increased usage of overtime and unbudgeted contracted call-taker services.

In addition, approximately \$1,252,000 in Hurricane Irma related expenditures were incurred in FY2016/17. Expenditures for the hurricane included \$500,000 for Tidal Basin to undertake the City’s cost recovery efforts; \$500,000 for deployment of additional security guard personnel citywide; and \$252,000 for other expenditures such as rental of emergency equipment and supplies needed during the storm.

<b>Emergency Management</b>				
	Amended Budget	Projected	Variance Projected vs Amended Budget	% Over / (Under)
Expenditures	\$ 10,370,000	\$ 12,221,000	\$ 1,851,000	17.8%

**Rebalancing the FY 2016/17 Budget**

In order to re-balance the FY 2016/17 budget, it is necessary to increase the budgets of the departments noted above. One option would be to use General Fund balance, and another option would be to re-allocate existing FY 2016/17 appropriations from General Fund departments which are projected to be below budget. The Administration recommends the latter option by transferring \$2.2 million from Citywide Accounts, \$494,000 from Public Works, and \$500,000 from Parks & Recreation to Police, Fire, and Emergency Management, as noted in Schedule A below.

**Citywide Account** – This budget is projected to be \$5.2 million, or 11.9% below the amended budget. This is primarily due to \$1.7 million in savings for accumulated leave expenses, as well as \$600,000 in savings for 415 excess pension and tuition reimbursement expenses, and \$3 million, which was set aside to be carried forward to balance the FY 2017/18 budget.

<b>Citywide Accounts</b>				
	Amended Budget	Projected	Variance Projected vs Amended Budget	% Over / (Under)
Expenditures	\$ 18,899,260	\$ 13,656,000	\$ (5,243,260)	-27.7%

**Public Works** – The department is projected to be \$697,000, or 4.7%, below the amended budget. The variance is due to savings in personnel services expenditures resulting from several vacancies in the department’s Engineering and Greenspace Management divisions, as well as savings in citywide grounds maintenance, which include all right-of-ways and city facilities, resulting from additional maintenance being conducted internally by existing department personnel.

Public Works				
	Amended Budget	Projected	Variance Projected vs Amended Budget	% Over / (Under)
Expenditures	\$ 14,746,000	\$ 14,049,000	\$ (697,000)	-4.7%

**Parks & Recreation** – The department is projected to be \$760,000, or 2.4%, below the amended budget. The variance is primarily due to salary savings and other related personnel services expenditures. The department has had several vacancies throughout the year, as well as some turnover in personnel resulting in estimated year-end savings.

Parks & Recreation				
	Amended Budget	Projected	Variance Projected vs Amended Budget	% Over / (Under)
Expenditures	\$ 31,934,000	\$ 31,174,000	\$ (760,000)	-2.4%

### ENTERPRISE, INTERNAL SERVICE, AND SPECIAL REVENUE FUNDS ANALYSIS

The City accounts for proprietary operations in its Enterprise Funds. Sanitation, Sewer, Storm Water, Water, Parking, and Convention Center are included in this grouping. Expenditures for these funds are normally budgeted to be fully offset by charges for services.

Moreover, the City accounts for those goods and services provided by one Department to other Departments citywide on a cost reimbursement basis as Internal Service Funds. Central Services, Fleet Management, Information Technology, Property Management, Risk Management, and Medical & Dental Insurance (Self Insurance) are included in this grouping.

Lastly, Special Revenue Funds are used to account for revenues and expenditures that are legally restricted or committed for specific purposes other than debt or capital projects. Special Revenue Funds include the Resort Tax Fund, as well as 7th Street Garage Operations; 5th & Alton Garage Operations; Art in Public Places; Tourism and Hospitality Scholarship Program; Green/Sustainability Fund; Tree Preservation Fund; Commemorative Tree Trust Fund; Waste Hauler Additional Services and Public Benefit Contribution Fund; Education Compact Fund; Red Light Camera Fund; Emergency 911 Fund; Information and Communications Technology Fund; People's Transportation Plan Fund; Concurrency Mitigation Fund; Miami Beach Cultural Arts Council; Police Special Revenue Account; Police Confiscation Trust Funds (Federal and State); and Police Training and School Resources Fund.

The preliminary year-end analysis for FY2016/17 shows that there are \$2,117,000 of encumbrances in the Enterprise Funds, \$419,000 in Internal Service Fund encumbrances, and \$1,869,000 in Special Revenue Fund encumbrances for goods and/or services that were procured in FY 2016/17, but not received, which are recommended to be carried forward to the respective FY 2017/18 operating budgets.

Similarly, it is proposed that appropriations of \$1,648,000 in the Enterprise Funds, \$461,000 in the Internal Service Funds, and \$884,000 in the Special Revenue Funds be carried forward into FY2017/18 for projects that were originally budgeted in FY2016/17, but not completed.

**PROPOSED AMENDMENTS TO THE ENTERPRISE, INTERNAL SERVICE, AND SPECIAL REVENUE FUNDS**

Preliminary year-end actual expenditures indicate that the following Enterprise Fund departments are projected to exceed the FY2016/17 amended budget **due to Hurricane Irma related expenditures.**

**Sanitation** – The department is projected to be \$889,000, or 4.3%, above the amended budget. The variance is due to approximately \$1,726,000 in additional expenditures incurred as a result of Hurricane Irma, including \$400,000 for Stanley Consultants to provide emergency disaster debris monitoring services; and \$1,350,000 for Ceres Environmental and Ashbritt Environmental to provide debris removal services from the public right of way.

It is estimated that seventy-five percent of the hurricane-related expenses within the Sanitation Fund will be reimbursed by FEMA in the near future. The reimbursements will be used to replenish the Sanitation Fund balance.

<b>Sanitation</b>				
	Amended Budget	Projected	Variance Projected vs Amended Budget	% Over / (Under)
Expenditures	\$ 20,886,000	\$ 21,775,000	\$ 889,000	4.3%

**CONCLUSION**

The Resolution amending FY2016/17 budgets will allow amendments to the General Fund and Enterprise Fund budgets to be enacted. This action is necessary to comply with Florida Statute, Section 166.241, which stipulates that the City has 60 days following the end of the fiscal year to amend a budget for that year.

JLM/JW/TOS

**SCHEDULE A**

GENERAL FUND	FY 2016/17 Amended Budget	4th Budget Amendment	FY 2016/17 Revised Budget
<b>REVENUES</b>			
<b>Operating Revenues</b>			
Ad Valorem Taxes	\$ 159,950,000		\$ 159,950,000
Ad Valorem Taxes- S Pte Costs	\$ 0		\$ 0
Ad Valorem Cap. Renewal & Replacement	\$ 662,000		\$ 662,000
Ad Valorem Taxes- Normandy Shores	\$ 169,000		\$ 169,000
Other Taxes	\$ 23,732,000		\$ 23,732,000
Licenses and Permits	\$ 30,348,000		\$ 30,348,000
Intergovernmental	\$ 11,439,000		\$ 11,439,000
Charges for Services	\$ 12,174,000		\$ 12,174,000
Fines & Forfeits	\$ 1,799,000		\$ 1,799,000
Rents and Leases	\$ 6,426,000		\$ 6,426,000
Miscellaneous	\$ 12,575,000		\$ 12,575,000
Resort Tax Contribution	\$ 37,609,000		\$ 37,609,000
Other	\$ 20,369,000		\$ 20,369,000
Transfer in from South Pointe RDA	\$ 370,000		\$ 370,000
Transfer in from Proceeds from Segafredo Colony Café Lease	\$ 75,740		\$ 75,740
Fund Balance/ Retained Earnings	\$ 1,825,260		\$ 1,825,260
<b>Total General Fund</b>	<b>\$ 319,523,000</b>	<b>\$ -</b>	<b>\$ 319,523,000</b>
<b>APPROPRIATIONS</b>			
<b>Department</b>			
Mayor and Commission	\$ 2,283,000		\$ 2,283,000
City Manager	\$ 3,630,000		\$ 3,630,000
Communications	\$ 1,995,000		\$ 1,995,000
Budget & Performance Improvement	\$ 2,658,000		\$ 2,658,000
Org Dev & Performance Initiative	\$ 629,000		\$ 629,000
Finance	\$ 5,816,000		\$ 5,816,000
Procurement	\$ 2,288,000		\$ 2,288,000
Human Resources/Labor Relations	\$ 2,780,000		\$ 2,780,000
City Clerk	\$ 1,622,000		\$ 1,622,000
City Attorney	\$ 5,370,000		\$ 5,370,000
Housing & Comm. Development	\$ 2,798,000		\$ 2,798,000
Building	\$ 15,083,000		\$ 15,083,000
Environment & Sustainability	\$ 1,223,000		\$ 1,223,000
Code Compliance	\$ 5,947,000		\$ 5,947,000
Planning	\$ 4,306,000		\$ 4,306,000
Tourism, Culture, and Econ. Development	\$ 3,755,740		\$ 3,755,740
Parks & Recreation	\$ 31,934,000	(500,000)	\$ 31,434,000
Public Works	\$ 14,746,000	(494,000)	\$ 14,252,000
Capital Improvement Projects	\$ 5,051,000		\$ 5,051,000
Police	\$ 104,401,000	1,040,000	\$ 105,441,000
Fire	\$ 71,938,000	303,000	\$ 72,241,000
Emergency Management	\$ 10,370,000	1,851,000	\$ 12,221,000
Citywide Accounts-Other	\$ 13,867,260	(2,200,000)	\$ 11,667,260
Citywide Accounts-Operating Contingency	\$ 1,318,000		\$ 1,318,000
Citywide Accounts-Normandy Shores	\$ 257,000		\$ 257,000
<b>Subtotal General Fund</b>	<b>\$ 316,066,000</b>	<b>\$ -</b>	<b>\$ 316,066,000</b>
<b>TRANSFERS</b>			
Capital Renewal & Replacement	\$ 662,000		\$ 662,000
Capital Investement Upkeep Account	\$ 0		\$ 0
Info & Comm Technology Fund	\$ 395,000		\$ 395,000
Pay-As-You-Go Capital Fund	\$ 2,400,000		\$ 2,400,000
Capital Reserve Fund	\$ 0		\$ 0
Building Reserve	\$ 0		\$ 0
<b>Subtotal Transfers</b>	<b>\$ 3,457,000</b>	<b>\$ -</b>	<b>\$ 3,457,000</b>
<b>Total General Fund</b>	<b>\$ 319,523,000</b>	<b>\$ -</b>	<b>\$ 319,523,000</b>

Fourth Amendment to the FY 2016/17 General Fund, Enterprise, Internal Service and Special Revenue Funds  
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ENTERPRISE FUNDS	FY 2016/17 Amended Budget	4th Budget Amendment	FY 2016/17 Revised Budget
<b>REVENUE/APPROPRIATIONS</b>			
Convention Center	\$ 17,029,389		\$ 17,029,389
Parking	\$ 61,368,000		\$ 61,368,000
Sanitation	\$ 20,886,000	889,000	\$ 21,775,000
Sewer Operations	\$ 55,372,000		\$ 55,372,000
Stormwater Operations	\$ 28,532,000		\$ 28,532,000
Water Operations	\$ 35,215,000		\$ 35,215,000
<b>Total Enterprise Funds</b>	<b>\$ 218,402,389</b>	<b>\$ 889,000</b>	<b>\$ 219,291,389</b>

INTERNAL SERVICE FUNDS	FY 2016/17 Amended Budget	4th Budget Amendment	FY 2016/17 Revised Budget
<b>REVENUE/APPROPRIATIONS</b>			
Central Services	\$ 1,015,000		\$ 1,015,000
Fleet Management	\$ 9,597,000		\$ 9,597,000
Information Technology	\$ 17,030,000		\$ 17,030,000
Property Management	\$ 8,409,000		\$ 8,409,000
Risk Management	\$ 17,585,000		\$ 17,585,000
Medical and Dental Insurance	\$ 30,532,000		\$ 30,532,000
<b>Total Internal Service Funds</b>	<b>\$ 84,168,000</b>	<b>\$ -</b>	<b>\$ 84,168,000</b>

SPECIAL REVENUE FUNDS	FY 2016/17 Amended Budget	4th Budget Amendment	FY 2016/17 Revised Budget
<b>REVENUE/APPROPRIATIONS</b>			
Resort Tax	\$ 89,542,000		\$ 89,542,000
Transportation	\$ 11,445,000		\$ 11,445,000
People's Transportation Plan	\$ 3,808,000		\$ 3,808,000
7th Street Garage	\$ 2,320,000		\$ 2,320,000
5th & Alton Garage	\$ 771,000		\$ 771,000
Art In Public Places	\$ 473,000		\$ 473,000
Tourism and Hospitality Scholarship Prgm	\$ 184,000		\$ 184,000
Information and Communication Tech	\$ 803,000		\$ 803,000
Education Compact	\$ 395,000		\$ 395,000
Sustainability & Waste Haulers Add Serv	\$ 475,000		\$ 475,000
Residential Housing	\$ 771,000		\$ 771,000
Red Light Camera	\$ 1,516,000		\$ 1,516,000
E-911 Fund	\$ 351,000		\$ 351,000
Cultural Arts Council	\$ 2,029,000		\$ 2,029,000
Normandy Shores	\$ 257,000		\$ 257,000
Tree Preservation	\$ 223,000		\$ 223,000
Commemorative Tree	\$ 10,000		\$ 10,000
Police Confiscation - Federal	\$ 313,000		\$ 313,000
Police Confiscation - State	\$ 299,000		\$ 299,000
Police Special Revenue	\$ 105,000		\$ 105,000
Police Training	\$ 30,000		\$ 30,000
<b>Total Special Revenue Funds</b>	<b>\$ 116,120,000</b>	<b>\$ -</b>	<b>\$ 116,120,000</b>