

# MIAMI BEACH

OFFICE OF THE CITY MANAGER

LTC# **178-2020**

LETTER TO COMMISSION

TO: Mayor Dan Gelber and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: May 15, 2020

SUBJECT: Fiscal Year 2020 Second Quarter Analysis

The purpose of this Letter to Commission (LTC) is to provide the Mayor and members of the City Commission with the status of the Fiscal Year (FY) 2020 operating budget to actual revenues and expenses incurred for the second quarter ending March 31, 2020, with projections through fiscal year-end September 30, 2020, as set forth in the City's Charter which specifies that "the City Manager shall make public a quarterly report showing the actual expenditures during the quarter just ended against one quarter of the proposed annual expenditures set forth in the budget."

Certain assumptions for both revenues and expenditures have been made in these projections, including the projected impact of COVID-19 on the City's operations as presented by the City Administration to the Finance and Economic Resiliency Committee (FERC) on April 17 and April 24, 2020. Assumptions will continue to be further refined and adjusted as additional information and data become available. These assumptions, along with our continued efforts toward managing the City's resources and ongoing adjustments to line item revenues and expenditures throughout the year, will impact projections as we look ahead.

## SUMMARY

The budget balancing plans for the General Fund, Resort Tax Fund, and Parking Fund presented at the FERC meeting on April 17 projected revenue losses through the end of the fiscal year and balanced the FY 2020 budget by emphasizing cost reductions as much as possible and judiciously using reserves to make up the difference. The table below shows the difference in the use of reserves between the original budget balancing plans presented at FERC on April 17<sup>th</sup> and the Second Quarter Projections, which reflect the latest updated financial information.

Projected Use of Fund Balance	FERC-April 17	Second Quarter Projections
General Fund	\$8.6 million	\$2.4 million (net of COVID-19 reimbursable expenses and adjustments for PAYGO and CRR)
Resort Tax	\$5.0 million	\$5.1 million

The General Fund use of fund balance decreased from \$8.6 million to \$2.4 million which reflected additional savings from: (1) the list of employees required to take 5 unpaid furlough days by end of the fiscal year being extended to include all non-public safety union employees making more than \$50,000; (2) 20 additional full-time positions being furloughed until the return of normal operations; and (3) additional miscellaneous savings from cost-saving measures such as reducing all non-essential expenditures and reducing contractual services as much as possible. The \$2.4 million increases by \$2.6 million to \$5.0 million with COVID-19 reimbursable expenses to date and to \$5.4 million with additional

projected COVID-19 food expenses of \$400,000 (up to \$700,000) that were approved at the May 8<sup>th</sup> Finance & Economic Resiliency Committee. Finally, there is an adjustment to reflect the savings from deferred capital projects in the Pay-As-You-Go (PAYGO) and Capital Renewal & Replacement (CRR) funds paid for from the General Fund. The Resort Tax Fund use of fund balance is essentially the same at \$5.1 million and the Parking Fund budget balancing plan did not propose any use of reserves to ensure compliance with debt service coverage requirements.

All General Fund, Enterprise Funds, Internal Service Funds, and Special Revenue Funds budgets are projected to be at or below their current FY 2020 amended budgets as of year-end with revenues projected to be equivalent to or in excess of expenditures. The only exceptions are the Convention Center Fund, Risk Management Fund, and Medical and Dental Fund. There is a \$3.9 million gap in the Convention Center Fund due to the COVID-19 shutdown which will be closed using the existing \$11.0 million fund balance, which would leave \$7.1 million. There is a \$2.5 million gap in the Risk Management Fund due to unforeseen increases in rates and deductibles across most lines of insurance which will be closed by sweeping savings from other internal service funds including Property Management and IT. There is a \$249,000 gap in the Medical & Dental Insurance Fund due to medical and pharmacy claims trending higher than anticipated. This trend will be re-evaluated in the third quarter projections and if needed, the gap would be covered by fund balance in the fund.

## **BACKGROUND**

The operating budgets for the General Fund, Enterprise Funds, Internal Service Funds, and Special Revenue Funds for FY 2020 were adopted by the Mayor and City Commission on September 25, 2019, through Resolution No. 2019-31004.

The First Amendment to the General Fund, Enterprise Funds, Internal Service Funds, and Special Revenue Funds budgets for FY 2020 was adopted by the Mayor and City Commission on November 25, 2019, through Resolution No. 2019-31081.

The Second Amendment to the General Fund, Enterprise Funds, Internal Service Funds, and Special Revenue Funds budgets for FY 2020 was adopted by the Mayor and City Commission on January 15, 2020, through Resolution No. 2020-31138.

The Third Amendment to the General Fund, Enterprise Funds, Internal Service Funds, and Special Revenue Funds budgets for FY 2020 was adopted by the Mayor and City Commission on February 12, 2020, through Resolution No. 2020-31178.

The Fourth Amendment to the General Fund, Enterprise Funds, Internal Service Funds, and Special Revenue Funds budgets for FY 2020 was adopted by the Mayor and City Commission on May 13, 2020.

On March 1, 2020, the Governor issued an Executive Order directing the Surgeon General of the State of Florida to issue a public health emergency and in response to the pandemic outbreak of COVID-19, the Governor declared a State of Emergency on March 9, 2020. In direct response to the first confirmed case of COVID-19 in Miami-Dade County on March 11, 2020 the Miami-Dade County Mayor declared a State of Emergency for Miami-Dade County. The City Manager declared a State of Emergency in the City of Miami Beach on March 12, 2020. Subsequently, both the County and the City issued various Emergency Orders temporarily closing public and private facilities, including the temporary closure of all non-essential retail and commercial establishments and identifying essential retail and commercial businesses which may remain open. These actions have greatly limited the amount of economic activity taking place in the City of Miami Beach and continue to result in significant impacts to the City's finances.

## **ANALYSIS**

As a result of the COVID-19 epidemic, the City is experiencing dramatic impacts to its Resort Tax, Parking, Water & Sewer, and General Fund revenues, as the City is highly dependent on the tourism and hospitality industry. In response, at the April 17 and April 24, 2020 FERC meetings, the City Administration presented the potential financial impacts of COVID-19 on the City's operations with three different scenarios (Optimistic, Likely, and Conservative), as well as a plan for balancing the City's major funding sources (Resort Tax, Parking, and General Fund) through the end of the fiscal year based on the "Likely" scenario which was projected with the expectation of three months of very low economic activity and three months of slow growth.

The key to creating these plans to balance the remainder of the FY 2020 budgets was to (1) reduce costs as much as possible to mitigate the projected revenue loss and (2) judiciously use the City's reserves to make up the difference.

The second quarter projections include the projected savings based on the actions taken by the City Manager that were outlined in a Letter to Commission (LTC) on March 26, 2020 (LTC#143-2020), as well as the recommended cost reductions that were presented by the City Administration to the FERC on April 17 and April 24, 2020, which, among other things, included the following:

- Hiring freeze (including reclassifications) and a budget freeze for all non-essential, non-capital (construction) expenditures
- Hold on all non-COVID-related expenditures over \$5,000, requiring an additional layer of review by a four-person oversight committee reporting to the City Manager
- Cancel all city-related travel
- Review and suspend all contractual services so that we are only maintaining what is necessary
- Suspend labor contracts with AFSCME, CWA, and GSA to provide greater flexibility in scheduling and assignments during this emergency
- Cease overtime for all departments except Police and Fire. If an emergency arises such that overtime is necessary, it will require the City Manager's approval. Police and Fire have been asked to provide plans to dramatically reduce or eliminate overtime
- Furlough of full-time, part-time, and temporary employees since, in most cases, the work being performed by these individuals, was no longer needed as a result of the closures of numerous City facilities (first responders from the Police and Fire Departments were not impacted)
- City Manager, City Attorney, City Clerk and Inspector General will each take 10 unpaid furlough days, as well as Management Team members and all other employees (except Police and Fire) making more than \$50,000 per year will each take 5 unpaid furlough days before the end of the fiscal year
- Elected officials will forego a combination of their salaries and allowances during the current fiscal year, which varies by elected official
- No Cost of Living Adjustments (COLA) for unclassified employees to be given for FY 2020
- Refinancing of outstanding debt
- Additional costs identified by departments tasked with reducing costs as much as possible

It is important to note that the second quarter projections for FY 2020 include the impacts of all five collective bargaining agreements, including applicable increases in previously existing and newly provided additional specialty pays, ratified by the City and the International Association of Fire Fighters (IAFF) on May 8, 2019 through Resolution No. 2019-30831, the Government Supervisors Association of Florida (GSAF) on July 17, 2019 through Resolution No. 2019-30909, the Fraternal Order of Police (FOP) on July 31, 2019 through Resolution No. 2019-3093, the Communications Workers of America (CWA) on October 30, 2019 through Resolution No. 3019-31070, and American Federation of State, County, and Municipal Employees (AFSCME) on December 11, 2019 through Resolution No. 2019-31106. Of the five agreements, two were ratified subsequent to the adoption of the FY 2020 budget (CWA and AFSCME).

**GENERAL FUND**

**General Fund Second Quarter Status**

An analysis of the actual six-month operating revenues and expenses for the period October 1, 2019 through March 31, 2020 reveals an operating budget surplus of \$71.2 million. While the actual surplus as of March 31, 2020 may seem unusual when compared to the projection for the current fiscal year ending September 30, 2020, it should be noted that the City receives a larger percentage of its ad valorem property taxes during the earlier months of the fiscal year. Ad valorem property tax revenues represent approximately 53.6% of total budgeted revenues adopted in FY 2020 and 65.8% of actual revenues collected during the combined first and second quarter of the fiscal year.

As of March 31, 2020, total revenues collected were approximately 65.6% of the current FY 2020 amended budget, or \$243.7 million. Conversely, expenditures were approximately 46.4% of the current FY 2020 amended budget, or \$172.6 million. It is important to note that there are often delays in expenditures until the close-out of the fiscal year.

FY 2020 Budget					
General Fund	Adopted Budget	Amended Budget	1/2 of Amended Budget	Actuals as of 03/31/20	Variance from 1/2 Amended Budget Over / (Under)
Revenues	\$ 350,143,000	\$ 371,678,000	\$ 185,839,000	\$ 243,734,371	\$ 57,895,371
Expenditures	\$ 350,143,000	\$ 371,678,000	\$ 185,839,000	\$ 172,581,556	\$ (13,257,444)
<b>Excess of Revenues Over/(Under) Expenditures</b>				<b>\$ 71,152,815</b>	

**General Fund Year-End Projections**

Year-end operating revenues and expenditures projected through September 30, 2020 provide a more realistic indication of any estimated year-end surpluses or shortfalls as of this point in time. While actual revenues and expenses are as of March 31, 2020, these projections have incorporated more current information, including the potential impact of COVID-19 on the City’s revenues, as well as the actions taken by the City Manager that were outlined in a Letter to Commission (LTC) on March 26, 2020 (LTC#143-2020) and the recommended cost reductions that were presented to the FERC on April 17 and April 24, 2020.

A summary of the preliminary General Fund revenues and expenditures as of March 31, 2020 with projections through September 30, 2020 reflects a projected year-end shortfall of \$2.4 million net of reimbursable COVID-19 expenditures and adjustments made for the deferred capital projects in Pay-As-You-Go Capital and Capital Renewal and Replacement (CRR) Funds. The PAYGO and CRR adjustment is made to adjust for the savings from deferral of projects in those respective capital project funds instead of the General Fund. It is important to note that the budget balancing plan represented to the FERC on April 17, 2020 estimated the use of \$8.6 million General Fund Reserves in order to address the preliminary estimated shortfall.

It should be noted that this analysis is a preliminary projection based on not only the experience during the first and second quarter of the fiscal year, but also the projected impact of COVID-19 on the City’s operations for the remainder of the year, and is consistent with the recommended balancing plans that were presented by the City Administration to the FERC on April 17 and April 24, 2020. As more information becomes available over time, these projections will continue to be refined.

FY 2020 Budget					
General Fund	Adopted Budget	Amended Budget	Projected	Difference	% Over / (Under)
Revenues	\$ 350,143,000	\$ 371,678,000	\$ 342,792,000	\$ (28,886,000)	-7.8%
Expenditures	\$ 350,143,000	\$ 371,678,000	\$ 351,272,000	\$ (20,406,000)	-5.5%
<b>Excess of Revenues Over/(Under) Expenditures</b>			<b>\$ (8,480,000)</b>	<b>-2.3%</b>	
Additional Impact from Meals Program for COVID-19			400,000		
<b>Excess of Revenues Over/(Under) Expenditures</b>			<b>\$ (8,880,000)</b>	<b>-2.4%</b>	
Less reimbursable COVID-19 expenditures to date			2,626,948		
Less projected reimbursable COVID-19 expenditures for Meals Program			400,000		
Adjustment for Pay-As-You-Go capital project deferrals			2,677,572		
Adjustment for Capital Renewal and Replacement capital project deferrals			769,000		
<b>Excess of Revenues Over/(Under) Expenditures</b>			<b>\$ (2,406,480)</b>	<b>-0.6%</b>	

### General Fund Operating Revenues

FY 2020 property tax collections are being projected at 95% of total property taxes assessed, which is consistent with the original adopted budget allowing for discounts and a level of adjustment for appeals that is consistent with historical levels. The impact of these appeals and adjustments realized for the FY 2020 budget will be provided by the Miami-Dade County Property Appraiser in July 2020 when the City's certified property values are received.

As of March 31, 2020, actual operating revenues were approximately 65.6% of the current amended budget, or \$243.7 million, with operating revenues through fiscal year-end September 30, 2020 projected at \$342.8 million, which is approximately 7.8%, or \$28.9 million, below the current amended budget, primarily due to the projected impact of COVID-19 on the City's revenues.

Due to the projected impact of COVID-19 on the City's General Fund operations, revenue categories with significant variances to budget in excess of 10%, or \$300,000, are comprised of the following:

- Other Non-Operating Revenues (this is comprised of administrative fees collected from Non-General Fund departments and the Contribution from Parking) – \$8.9 million (48.7%)
- Contribution from Resort Tax – \$7.8 million (21.2%)
- Licenses and Permits – \$4.6 million (15.0%)
- Charges for Service – \$3.3 million (24.9%)
- Intergovernmental Revenues – \$1.8 million (14.7%)
- Miscellaneous Revenues – \$1.3 million (8.6%)
- Fines and Forfeitures – \$714,000 (40.7%)
- Interest Revenues – \$423,000 (12.2%)

For a detail of General Fund revenues by category, refer to the attached [Exhibit A](#).

### General Fund Operating Expenditures

As of March 31, 2020, actual expenses were approximately 46.4% of the current FY 2020 amended budget, or \$172.6 million, with operating expenditures through fiscal year-end September 30, 2020 projected at \$351.7 million, which is approximately 5.4%, or \$20.0 million, below the current FY 2020 amended budget. As previously mentioned, these projections are not only based on experience during the first and second quarter of the fiscal year, but also more current information available, including the recommended cost reductions presented to the FERC on April 17 and April 24, 2020.

As a result of the projected impact of COVID-19 on the City's General Fund operations, and cost-savings measures currently in place, General Fund expenditures by department with significant variances to budget in excess of 10%, or \$300,000, are comprised of the following:

- Parks and Recreation – \$4.8 million (12.4%)
- Citywide Accounts – \$2.1 million (7.0%)
- Police – \$1.6 million (1.3%)
- Public Works – \$1.6 million (10.5%)
- Planning – \$1.2 million (20.2%)
- City Attorney – \$986,000 (15.6%)
- Fire – \$935,000 (1.0%)
- Building – \$893,000 (6.3%)
- Economic Development – \$823,000 (31.8%)
- Capital Improvement Projects (CIP) – \$696,000 (13.1%)
- Code Compliance – \$673,000 (10.3%)
- Finance – \$488,000 (7.3%)
- City Manager’s Office – \$436,000 (10.1%)
- Marketing and Communications – \$433,000 (17.6%)
- Tourism and Culture – \$425,000 (11.9%)
- Human Resources – \$335,000 (12.0%)

While the above-listed departments comprise those with significant variances to budget in excess of 10%, or \$300,000, all General Fund departments are projected to have savings at year-end.

The General Fund expenditures include \$2.6 million of reimbursable expenses related to COVID-19 as shown in the table below.

Expenditure Category	March	April	Total
Supplies & PPE	\$326,601	\$338,504	\$665,105
Other Services	\$52,185	\$80,754	\$132,939
Overtime	\$1,638,356	\$190,546	\$1,828,902
<i>Total</i>	<b>\$2,017,142</b>	<b>\$609,804</b>	<b>\$2,626,946</b>

Additional funding for meals program related to COVID-19 was approved at the May 8<sup>th</sup> Finance & Resiliency Committee meeting. The projections include \$400,000 that may be increased up to \$700,000 based on need for the program.

For a detail of General Fund expenditures by department, refer to the attached [Exhibit A](#).

## ENTERPRISE FUNDS

The City accounts for those goods and services provided by a particular department to external users for which a fee is charged as Enterprise Funds. The City’s Sanitation, Water, Storm Water, Sewer, Parking, and Convention Center operations comprise this category of proprietary funds.

An analysis of the actual six-month operating expenses for the period October 1, 2019 through March 31, 2020, reveals that all Enterprise Funds have expenses less than one-half of their current FY 2020 amended budgets. As previously mentioned, this is not representative of typical trends for a full fiscal year, as there is often a lag in processing of expenditures, particularly those billed by outside entities for services provided.

ENTERPRISE FUNDS						
	Sanitation	Sewer	Storm Water	Water	Parking	Convention Center
FY 2020 Adopted Budget	22,420,000	52,415,000	31,998,000	36,915,000	55,532,000	30,002,000
Budget Amendment - 11/25/19	634,000	826,000	432,000	2,163,000	129,000	1,525,000
Budget Amendment - 01/15/20	0	0	799,000	0	0	0
Budget Amendment - 02/12/20	0	0	0	0	0	0
Budget Amendment - 05/13/20	0	0	0	0	0	0
<b>FY 2020 Amended Budget</b>	<b>23,054,000</b>	<b>53,241,000</b>	<b>33,229,000</b>	<b>39,078,000</b>	<b>55,661,000</b>	<b>31,527,000</b>
1/2 Adopted Budget	11,210,000	26,207,500	15,999,000	18,457,500	27,766,000	15,001,000
1/2 Amended Budget	11,527,000	26,620,500	16,614,500	19,539,000	27,830,500	15,763,500
Revenues as of 03/31/20	10,548,542	24,834,538	14,958,792	15,863,062	24,501,618	2,806,310
Expenditures as of 03/31/20	10,406,034	22,198,466	13,215,019	12,386,826	18,003,666	1,567,435
Expenditures Above/(Below) 1/2 Amended Budget	(1,120,966)	(4,422,034)	(3,399,481)	(7,152,174)	(9,826,834)	(14,196,065)
% Variance	-4.9%	-8.3%	-10.2%	-18.3%	-17.7%	-45.0%

Year-end operating revenue and expenditure projections through September 30, 2020 provide a more realistic indication of any anticipated year-end surpluses or shortfalls as of this point in time. While the actual revenues and expenses presented above are as of March 31, 2020, the year-end projections incorporate more current information, including the projected impact of COVID-19.

Revenues for all Enterprise Funds are projected to be equivalent to or in excess of expenditures as of year-end, unless otherwise reflected in the table below and subsequently detailed further.

In the Sanitation Fund, the projections below include the use of approximately \$1.1 million of prior year fund balance from the Sanitation Fund which is lower than the \$1.6 million that was originally budgeted which reflects about \$500,000 of savings due to various cost saving measures.

Based on the Parking Enterprise Fund's FY 2020 second quarter revenue and expenditure projections, approximately \$6.0 million will be needed from the \$7.5 million de-appropriated per the 4th Capital Budget Amendment adopted by the City Commission on May 13, 2020. This is a decrease of approximately \$900,000 from the \$6.9 million projected to be needed to balance the Parking Enterprise Fund budget per the Parking Budget Balancing Plan presented to the Finance and Economic Resiliency Committee on April 17, 2020. The projected decrease in the use of fund balance necessary for FY 2020 is primarily due to the Q2 expenditure projections being further refined based on more current information available.

The Convention Center Fund will require the projected use of prior year fund balance due to the impact of COVID-19. Various conventions, trade shows, and events have had to cancel or reschedule due to the shutdown resulting in a \$3.9 million gap. The projections below assume no events will take place from April through September. Depending on the timing of recovery, the impact could be less if some events are able to take place before the end of the fiscal year. The \$3.9 million gap will be closed using the existing \$11.0 million fund balance, which would leave \$7.1 million.

ENTERPRISE FUNDS						
	Sanitation	Sewer	Storm Water	Water	Parking	Convention Center
FY 2020 Adopted Budget	22,420,000	52,415,000	31,998,000	36,915,000	55,532,000	30,002,000
Budget Amendment - 11/25/19	634,000	826,000	432,000	2,163,000	129,000	1,525,000
Budget Amendment - 01/15/20	0	0	799,000	0	0	0
Budget Amendment - 02/12/20	0	0	0	0	0	0
Budget Amendment - 05/13/20	0	0	0	0	0	0
<b>FY 2020 Amended Budget</b>	<b>23,054,000</b>	<b>53,241,000</b>	<b>33,229,000</b>	<b>39,078,000</b>	<b>55,661,000</b>	<b>31,527,000</b>
FY 2020 Projections:						
Charges for Services	9,402,000	43,005,000	31,464,000	29,442,000	31,678,000	12,706,000
Other	9,610,000	745,000	124,000	739,000	3,130,000	7,474,000
<b>FY 2020 Revenue Projections</b>	<b>19,012,000</b>	<b>43,750,000</b>	<b>31,588,000</b>	<b>30,181,000</b>	<b>34,808,000</b>	<b>20,180,000</b>
\$ Over/(Under) Amended Budget	(4,042,000)	(9,491,000)	(1,641,000)	(8,897,000)	(20,853,000)	(11,347,000)
% Over/(Under) Amended Budget	-17.5%	-17.8%	-4.9%	-22.8%	-37.5%	-36.0%
FY 2020 Expenditure Projections	19,012,000	43,750,000	31,588,000	30,181,000	34,808,000	24,097,000
\$ Over/(Under) Amended Budget	(4,042,000)	(9,491,000)	(1,641,000)	(8,897,000)	(20,853,000)	(7,430,000)
% Over/(Under) Amended Budget	-17.5%	-17.8%	-4.9%	-22.8%	-37.5%	-23.6%
<b>Revenues Over/(Under) Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,917,000)</b>

Due to the projected impact of COVID-19 on the City's revenues, as well as the actions taken by the City Manager and recommended cost reductions presented by the City Administration to the FERC on April 17 and April 24, 2020, all Enterprise Fund budgets are projected have significant variances to budget in excess of 10%, or \$300,000. These projections will continue to be refined as additional information becomes available.

## INTERNAL SERVICE FUNDS

The City accounts for 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 (Self Insurance), and Medical and Dental comprise this category of proprietary funds.

An analysis of the actual six-month operating revenues and expenses for the period October 1, 2019 through March 31, 2020, reveals that all Internal Service Funds have expenses less than one-half of their current FY 2020 amended budgets, primarily due to expenditures typically incurred later in the fiscal year.

INTERNAL SERVICE FUNDS						
	Central Services	Fleet Management	Information Technology	Property Management	Risk Management	Medical & Dental Insurance
FY 2020 Adopted Budget	1,115,000	12,938,000	16,848,000	11,001,000	19,655,000	37,367,000
Budget Amendment - 11/25/19	4,000	461,000	530,000	491,000	122,000	0
Budget Amendment - 01/15/20	0	0	0	0	0	0
Budget Amendment - 02/12/20	0	0	0	0	0	0
Budget Amendment - 05/13/20	0	0	0	0	0	0
<b>FY 2020 Amended Budget</b>	<b>1,119,000</b>	<b>13,399,000</b>	<b>17,378,000</b>	<b>11,492,000</b>	<b>19,777,000</b>	<b>37,367,000</b>
1/2 Adopted Budget	557,500	6,469,000	8,424,000	5,500,500	9,827,500	18,683,500
1/2 Amended Budget	559,500	6,699,500	8,689,000	5,746,000	9,888,500	18,683,500
Revenues as of 03/31/20	553,718	6,370,854	7,939,893	4,801,980	9,563,609	18,799,376
Expenditures as of 03/31/20	484,081	4,402,968	8,287,618	3,988,466	7,625,465	16,619,457
Expenditures Above/(Below) 1/2 Amended Budget	(75,419)	(2,296,532)	(401,382)	(1,757,534)	(2,263,035)	(2,064,043)
% Variance	-6.7%	-17.1%	-2.3%	-15.3%	-11.4%	-5.5%

Year-end operating revenue and expenditure projections through September 30, 2020 provide a more realistic indication of any anticipated year-end surpluses or shortfalls as of this point in time. While the actual revenues and expenses presented above are as of March 31, 2020, the year-end projections incorporate more current information, including the projected impact of COVID-19.

Revenues for all Internal Service Funds are projected to be equivalent to or in excess of expenditures as of year-end, unless otherwise reflected in the table below and subsequently detailed further in the variance explanations below.

INTERNAL SERVICE FUNDS						
	Central Services	Fleet Management	Information Technology	Property Management	Risk Management	Medical & Dental Insurance
FY 2020 Adopted Budget	1,115,000	12,938,000	16,848,000	11,001,000	19,655,000	37,367,000
Budget Amendment - 11/25/19	4,000	461,000	530,000	491,000	122,000	0
Budget Amendment - 01/15/20	0	0	0	0	0	0
Budget Amendment - 02/12/20	0	0	0	0	0	0
Budget Amendment - 05/13/20	0	0	0	0	0	0
<b>FY 2020 Amended Budget</b>	<b>1,119,000</b>	<b>13,399,000</b>	<b>17,378,000</b>	<b>11,492,000</b>	<b>19,777,000</b>	<b>37,367,000</b>
FY 2020 Projections:						
Charges for Services	975,000	12,540,000	15,967,000	9,545,000	17,717,000	0
Other	24,000	166,000	645,000	507,000	1,938,000	37,367,000
<b>FY 2020 Revenue Projections</b>	<b>999,000</b>	<b>12,706,000</b>	<b>16,612,000</b>	<b>10,052,000</b>	<b>19,655,000</b>	<b>37,367,000</b>
\$ Over/(Under) Amended Budget	(120,000)	(693,000)	(766,000)	(1,440,000)	(122,000)	0
% Over/(Under) Amended Budget	-10.7%	-5.2%	-4.4%	-12.5%	-0.6%	0.0%
FY 2020 Expenditure Projections	999,000	12,706,000	16,612,000	10,052,000	22,141,000	37,616,000
\$ Over/(Under) Amended Budget	(120,000)	(693,000)	(766,000)	(1,440,000)	2,364,000	249,000
% Over/(Under) Amended Budget	-10.7%	-5.2%	-4.4%	-12.5%	12.0%	0.7%
<b>Revenues Over/(Under) Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,486,000)</b>	<b>(249,000)</b>

Due to the projected impact of COVID-19 on the City's revenues, as well as the actions taken by the City Manager and recommended cost reductions presented by the City Administration to the FERC on April 17, April 24, and May 1, 2020, all Internal Services Funds budgets are projected have significant variances to budget in excess of 10%, or \$300,000, except Risk Management and Medical and Dental, which are projected to exceed their current amended budgets as further explained below:

**Risk Management** – This fund is projected to be 12.0%, or \$2.4 million, above the current amended budget, primarily due to unforeseen increases in rates and deductibles across most lines of insurance, including, but not limited to property, workers' compensation, and cyber liability, as well as legal fees for general liability and worker's compensation claims trending significantly higher than budget. Since rates and claims can fluctuate throughout the year, this is a conservative projection, and the trend will continue to be monitored over the coming months. If these trends continue at current levels for the remainder of the fiscal year, the projected savings realized from other Internal Service Fund budgets may be realigned to cover the projected year-end shortfall.

**Medical and Dental** – This fund is projected to be 0.7%, or \$249,000, above the current amended budget due to medical and pharmacy claims trending higher than budget based on current year-to-date claims experience, which includes several large claims and adjusted actuarial forecasts resulting from this claims experience. Since claims can fluctuate significantly throughout the year, this is a conservative projection, and the trend will continue to be monitored over the coming months. If claims experience continues to trend at current levels for the remainder of the fiscal year, available fund balance may be realized to cover the projected year-end shortfall.

## **SPECIAL REVENUE FUNDS**

Special Revenue Funds consist of revenues and expenditures which are legally restricted or committed for specific purposes other than debt service and/or capital projects. Special Revenue Funds include Resort Tax, as well as 7<sup>th</sup> Street Garage Operations, 5<sup>th</sup> & Alton Garage Operations, Normandy Shores and Biscayne Point Taxing Districts, Tourism and Hospitality Scholarship Program, Tree Preservation and Commemorative Tree Trust Fund, Beachfront Concession Initiatives Program, Beach Renourishment Fund, Waste Haulers and Sustainability Contributions, Education Compact Fund, Red Light Camera Program, Emergency 911 Fund, Residential Housing Program, Information and Communications Technology Fund, Transportation and People's Transportation Plan (PTP) Fund, Miami Beach Cultural Arts Council and Art in Public Places Operations, Miami City Ballet, Police Unclaimed Property and Crash Report Sales Funds, Police Confiscation Trust Funds (Federal and State), Police Training and School Resources Fund, and the Adopt-a-Bench Program.

An analysis of the actual six-month operating revenues and expenses for the period October 1, 2019 through March 31, 2020, reveals that all Special Revenue Funds, except the Police Unclaimed Property and Sanitation Waste Haulers Fund have expenses less than one-half of their current FY 2020 amended budgets primarily due to expenditures that are typically incurred in the latter part of the fiscal year. The Police Unclaimed Property and Sanitation Waste Haulers Fund have expenses that are more than one-half of their current FY 2020 amended budgets due to one-time expenses incurred during the first half of the fiscal year for agreements, equipment, training, etc. The actuals incurred for these funds through March 31, 2020 are not representative of typical trends for a full fiscal year.

Revenues for all Special Revenue Funds are projected to be equivalent to or in excess of expenditures as of year-end. In addition, most Special Revenue Funds are projected to have significant variances to budget in excess of 10%, or \$300,000, due to the projected impact of COVID-19 on the City's revenues, as well as the actions taken by the City Manager and recommended cost reductions presented by the City Administration to the FERC on April 17 and April 24, 2020. The only variance in Special Revenue Funds of note is in the Transportation Fund:

**Transportation** – This fund is projected to be 47.0%, or \$6.7 million, below the current amended budget primarily due to the projected impact of COVID-19 on the City’s Resort Tax and Parking revenues that predominately fund the City’s Transportation operations, including trolley services that were temporarily suspended as a result of COVID-19. It is important to note while there is a significant variance in the expenditure budget, when looking at revenues versus expenditures, there is only a \$2.2 million surplus available, which is earmarked for trolley services which will likely gradually resume sometime before the end of the fiscal year. The \$2.2 million is comprised of \$1.2 million of Transportation funds as well as approximately an additional \$1.0 million from Resort Tax Quality of Life funding reallocated from the Arts as recommended by the City Administration to the FERC on April 17, 2020 and adopted by the City Commission on May 13, 2020. Any additional funding for trolley services over and above \$2.2 million would require additional funding to be transferred from other funding sources, such as the General Fund.

Transportation				
	FY 2020 Amended Budget	FY 2020 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	\$ 14,230,000	\$ 7,538,000	\$ (6,692,000)	-47.0%

**RESORT TAX FUND**

The City’s Resort Tax Fund is primarily supported by taxes collected pursuant to Chapter 67-930 (Section 6) of the Laws of Florida, as amended, and Section 5.03 of the City of Miami Beach Charter, as amended. This legislation authorizes the use of Resort Taxes for the promotion of the tourism industry, which includes, but is not restricted to the following: Publicity, advertising, news bureau, promotional events, convention bureau activities, capital improvements and the maintenance of all physical assets in connection therewith; and for the payment of the reasonable and necessary expenses of collecting, handling and processing of said tax.

Typically, the City has considered the following services as “Services Related to the Promotion of Tourism:”

- Police Officers serving entertainment areas
- A portion of Fire Rescue services from Fire Stations 1 & 2
- Ocean Rescue services
- Sidewalk pressure cleaning in South, Middle and North Beach visitor areas
- South Beach sanitation
- Enhanced Code Compliance/Enforcement provided to respond to evening entertainment area violations and staffing of special events
- Other Code Compliance/Enforcement activities in tourism and visitor related facilities/areas
- Tourism and Cultural Development Department and the Cultural Arts Council
- Museums and Theatres (Garden Center, Bass Museum, Colony and Byron Carlyle Theatres)
- Golf courses (net of revenues)
- Memorial Day and other special event costs
- Homeless services
- July 4<sup>th</sup>, Visitor Center funding, Holiday Lights, Festival of the Arts, Jewish Museum, MDPL, Orange Bowl, Monuments, etc.

These allowable uses have led to increased tourism-related activities, such as special events including Art Basel.

The City is highly dependent on the tourism and hospitality industry. As a result, due to COVID-19, the City is experiencing dramatic impacts to its Resort Tax revenues.

Total two percent Resort Tax revenues are projected to be 32.7%, or \$21.3 million, below the current FY 2020 amended budget as of year-end, which was originally adopted assuming a conservative 2.0% increase over total projected FY 2019 collections.

Total two percent Resort Tax expenditures are projected to be 24.9%, or \$16.2 million, below the current FY 2020 amended budget as of year-end due to across-the-board reductions in expenditures, as well as some expenditures that were deferred, consistent with the recommended Resort Tax balancing plan presented by the City Administration to the FERC on April 17, 2020, which, among other things, included reductions in the transfers to the General Fund and Sanitation Fund of approximately \$9.1 million.

The proceeds of the one percent bed tax, as adopted through Resolution No. 2018-30512, and continuing in FY 2020, unless amended by the City Commission, are to be utilized as follows: 60% allocated for Transportation initiatives in tourist-related areas; 10% allocated equally among North Beach, Middle Beach and South Beach for capital projects that enhance Miami Beach's tourist related areas; and 10% allocated to various arts and cultural programs.

Due to the impact of COVID-19, the foregoing allocations were amended by the City Commission on May 13, 2020 for FY 2020 only, increasing the allocation for Transportation from 60% to 70% and decreasing the allocation for the Cultural Arts Council from 10% to 0% (the allocation to North, Middle, and South Beach Quality of Life Capital would remain unchanged at 10% each), to provide additional support to the City's trolley systems that would be offset by funding appropriated in the Cultural Arts Council from prior year accumulated fund balance.

One percent Resort Tax operating revenues are projected to be 33.2%, or \$4.9 million, below the amended budget as of year-end. Concurrently, since transfers for Transportation initiatives in tourism-related areas, North, Middle, and South Beach quality of life projects, and various arts and cultural programs are directly based on the proceeds of the one percent tax, one percent Resort Tax expenditures are equally projected to be 33.2%, or \$4.9 million, below the current amended budget as of year-end.

Lastly, the proceeds of the additional one percent bed tax levied solely for the purposes of expanding, enlarging, renovating, and/or improving the Miami Beach Convention Center, including debt service related thereto, as well as providing Capital Renewal and Replacement funding for the Miami Beach Convention Center, is projected to be 33.2%, or \$4.9 million, below the current amended budget as of year-end. Since the proceeds of the additional one percent bed tax must first provide for the payment of debt service and any excess, based on proceeds, be set-aside for Capital Renewal and Replacement funding for the Miami Beach Convention Center, additional one percent bed tax expenditures are also projected to be 33.2%, or \$4.9 million, below the current amended budget as of year-end. It is important to note that due to the impact of COVID-19 on Resort Tax collections, approximately \$2.6 million will need to be transferred from the two percent Resort Tax for FY 2020 debt service coverage, as mentioned in the Resort Tax balancing plans presented to the FERC on April 17, 2020, should these projections be realized at fiscal year-end.

Overall, due to the impact of COVID-19 on Resort Tax collections, combined Resort Tax revenues are projected to be 32.9%, or \$31.1 million, below the current amended budget as of year-end, while expenditures are projected to be 27.5%, or \$26.0 million, below the current amended budget resulting in a projected shortfall of \$5.1 million to be funded from Resort Tax reserves, should these projections be realized at year-end. The Resort Tax projections will continue to be further refined as more information and data becomes available.

It is important to note that the budget balancing plan presented to the FERC on April 17, 2020 estimated the use of approximately \$5.0 million Resort Tax Reserves in order to address the preliminary estimated shortfall. This updated \$5.1 million projected shortfall is consistent with the plan presented.

RESORT TAX FUND							
	FY 2020 Adopted Budget	FY 2020 Amended Budget	Actuals as of 03/31/20	% Actual of Amended Budget	FY 2020 Year End Projections	Over/(Under) Amended Budget	% Over/(Under) Amended Budget
<b>Revenues</b>							
2% Resort Tax	61,298,000	61,298,000	26,362,966	43.0%	39,957,000	(21,341,000)	-34.8%
Miscellaneous Revenues	937,000	937,000	298,412	31.8%	957,000	20,000	2.1%
Transfer In from Fund Balance	1,942,000	2,889,000	0	0.0%	2,889,000	0	0.0%
1% Resort Tax (QOL)	14,725,000	14,725,000	7,580,855	51.5%	9,834,000	(4,891,000)	-33.2%
Additional 1% for Convention Center	14,725,000	14,725,000	7,580,855	51.5%	9,834,000	(4,891,000)	-33.2%
<b>Total Revenues</b>	<b>93,627,000</b>	<b>94,574,000</b>	<b>41,823,088</b>	<b>44.2%</b>	<b>63,471,000</b>	<b>(31,103,000)</b>	<b>-32.9%</b>
<b>Expenditures</b>							
General Fund Contribution	36,757,000	36,757,000	18,378,500	50.0%	28,965,000	(7,792,000)	-21.2%
Sanitation Fund Contribution	2,539,000	2,539,000	1,269,500	50.0%	1,270,000	(1,269,000)	-50.0%
Contribution to GMCVB	7,127,000	7,127,000	5,160,129	72.4%	5,161,000	(1,966,000)	-27.6%
Contribution to VCA	2,940,000	2,940,000	1,068,024	36.3%	1,918,000	(1,022,000)	-34.8%
Contribution to Mt. Sinai	1,000,000	1,000,000	0	0.0%	0	(1,000,000)	-100.0%
Other Operating/Other Uses	13,614,000	14,497,000	18,726,906	129.2%	11,533,500	(2,963,500)	-20.4%
Marketing	200,000	264,000	37,783	14.3%	39,500	(224,500)	-85.0%
Transfer to NB, MB, SB Capital, Transp. and Arts (QOL)	14,725,000	14,725,000	7,580,855	51.5%	9,834,000	(4,891,000)	-33.2%
Add'l 1% Conv. Center Debt Service & Cap. Ren & Repl.	14,725,000	14,725,000	0	0.0%	9,834,000	(4,891,000)	-33.2%
<b>Total Expenditures</b>	<b>93,627,000</b>	<b>94,574,000</b>	<b>52,221,697</b>	<b>55.2%</b>	<b>68,555,000</b>	<b>(26,019,000)</b>	<b>-27.5%</b>
<b>Excess of Revenues Over/(Under) Expenditures</b>	<b>0</b>	<b>0</b>	<b>(10,398,609)</b>		<b>(5,084,000)</b>		

## CONCLUSION

The second quarter projections validated the assumptions in the budget balancing plans for the General Fund, Resort Tax Fund, and Parking Fund presented at the FERC meeting on April 17, 2020. The General Fund use of fund balance decreased from \$8.6 million to \$2.4 million (net of COVID-19 reimbursable expenses and adjustments for PAYGO and CRR), the Resort Tax Fund use of fund balance is essentially the same at \$5.1 million, and the Parking Fund budget balancing plan did not propose any use of reserves to ensure compliance with debt service coverage requirements.

All General Fund, Enterprise Funds, Internal Service Funds, and Special Revenue Funds budgets are projected to be at or below their current FY 2020 amended budgets as of year-end with revenues projected to be equivalent to or in excess of expenditures. The only exceptions are the Convention Center Fund, Risk Management Fund, and Medical and Dental Fund. These gaps will be closed using a mix of sweeping savings from other funds and use of available fund balance.

The assumptions in the budget balancing plans and in the second quarter projections will continue to be actively monitored between now and the development of the third quarter projections. Any material variances will be disclosed and discussed at upcoming Finance & Economic Resiliency Committee meetings.

JLM/JW/TOS

**EXHIBIT A**

CITY OF MIAMI BEACH FY 2020 GENERAL FUND 2ND QUARTER							
	FY 2020 Adopted Budget	FY 2020 Amended Budget	Actuals as of 03/31/20	% Actual of Amended Budget	FY 2020 Year End Projections	Over/(Under) Amended Budget	% Over/(Under) Amended Budget
<b>REVENUES</b>							
Ad Valorem Taxes	184,150,000	184,150,000	157,062,428	85.3%	184,150,000	0	0.0%
Ad Valorem Taxes - Pay-As-You-Go Capital	2,470,000	2,470,000	2,470,000	100.0%	2,470,000	0	0.0%
Ad Valorem Taxes - Capital Renewal & Replacement	769,000	769,000	769,000	100.0%	769,000	0	0.0%
Ad Valorem Taxes - Normandy Shores	174,000	174,000	174,000	100.0%	174,000	0	0.0%
Other Taxes	23,995,000	23,995,000	9,053,719	37.7%	24,042,000	47,000	0.2%
Licenses and Permits	30,437,000	30,525,000	18,674,278	61.2%	25,956,000	(4,569,000)	-15.0%
Intergovernmental	12,081,000	12,081,000	4,989,932	41.3%	10,304,000	(1,777,000)	-14.7%
Charges for Services	12,522,000	13,227,000	6,060,529	45.8%	9,933,000	(3,294,000)	-24.9%
Fines and Forfeitures	1,756,000	1,756,000	837,216	47.7%	1,042,000	(714,000)	-40.7%
Interest	3,461,000	3,461,000	4,885,031	141.1%	3,038,000	(423,000)	-12.2%
Rents and Leases	5,959,000	5,959,000	3,719,118	62.1%	5,747,000	(212,000)	-3.6%
Miscellaneous	14,780,000	14,780,000	7,413,619	50.2%	13,513,000	(1,267,000)	-8.6%
Other-Resort Tax Contribution	36,757,000	36,757,000	18,378,500	50.0%	28,965,000	(7,792,000)	-21.2%
Other-Non-Operating Revenues	18,454,000	18,258,000	9,227,000	50.5%	9,373,000	(8,885,000)	-48.7%
Fund Balance/Retained Earnings	2,378,000	15,974,000	0	0.0%	15,974,000	0	0.0%
Prior Year-End Surplus Carryover	0	7,342,000	0	0.0%	7,342,000	0	0.0%
<b>TOTAL REVENUES</b>	<b>350,143,000</b>	<b>371,678,000</b>	<b>243,734,371</b>	<b>65.6%</b>	<b>342,792,000</b>	<b>(28,886,000)</b>	<b>-7.8%</b>
<b>EXPENDITURES</b>							
Mayor & Commission	2,500,000	2,500,000	1,118,886	44.8%	2,275,000	(225,000)	-9.0%
City Manager	4,314,000	4,314,000	1,859,539	43.1%	3,878,000	(436,000)	-10.1%
Marketing and Communications	2,424,000	2,460,000	953,396	38.8%	2,027,000	(433,000)	-17.6%
Office of Management and Budget (prev. OBPI)	1,963,000	2,013,000	894,218	44.4%	1,926,000	(87,000)	-4.3%
Office of Inspector General (incl. Internal Audit)	1,455,000	1,983,000	587,363	29.6%	1,870,000	(113,000)	-5.7%
Org. Dev Performance Initiatives	1,284,000	1,194,000	371,597	31.1%	943,000	(251,000)	-21.0%
Finance	6,530,000	6,645,000	2,922,913	44.0%	6,157,000	(488,000)	-7.3%
Procurement	2,726,000	2,735,000	1,197,466	43.8%	2,519,000	(216,000)	-7.9%
Human Resources/Labor Relations	2,728,000	2,791,000	1,151,498	41.3%	2,456,000	(335,000)	-12.0%
City Clerk	1,790,000	1,851,000	765,726	41.4%	1,677,000	(174,000)	-9.4%
City Attorney	6,078,000	6,333,000	2,457,271	38.8%	5,347,000	(986,000)	-15.6%
Housing & Community Services	3,695,000	4,433,000	1,717,255	38.7%	4,185,000	(248,000)	-5.6%
Building	14,085,000	14,215,000	6,431,434	45.2%	13,322,000	(893,000)	-6.3%
Planning	5,510,000	5,768,000	2,163,573	37.5%	4,600,000	(1,168,000)	-20.2%
Environment & Sustainability	1,632,000	1,761,000	744,629	42.3%	1,506,000	(255,000)	-14.5%
Tourism & Culture	3,545,000	3,572,000	1,558,938	43.6%	3,147,000	(425,000)	-11.9%
Economic Development	2,491,000	2,591,000	794,495	30.7%	1,768,000	(823,000)	-31.8%
Code Compliance	6,488,000	6,533,000	2,868,852	43.9%	5,860,000	(673,000)	-10.3%
Parks & Recreation (including Golf courses)	37,864,000	38,942,000	15,705,863	40.3%	34,121,000	(4,821,000)	-12.4%
Public Works	15,391,000	15,633,000	6,389,646	40.9%	13,995,000	(1,638,000)	-10.5%
Capital Improvement Projects	5,327,000	5,327,000	2,206,771	41.4%	4,631,000	(696,000)	-13.1%
Police	115,174,000	116,314,000	56,132,834	48.3%	114,757,000	(1,557,000)	-1.3%
Fire	90,647,000	91,247,000	43,910,966	48.1%	90,312,000	(935,000)	-1.0%
Citywide (Net of Individual Items Below):	10,227,000	12,652,000	4,080,453	32.3%	10,422,000	(2,230,000)	-17.6%
Normandy Shores	267,000	267,000	0	0.0%	267,000	0	0.0%
Pay-As-You-Go Capital	2,939,000	2,939,000	0	0.0%	2,939,000	0	0.0%
Info & Comm. Tech Fund	300,000	300,000	0	0.0%	0	(300,000)	-100.0%
Capital Renewal and Replacement Fund	769,000	769,000	0	0.0%	769,000	0	0.0%
Building Fund	0	13,596,000	13,595,976	100.0%	13,596,000	0	0.0%
<b>TOTAL EXPENDITURES</b>	<b>350,143,000</b>	<b>371,678,000</b>	<b>172,581,556</b>	<b>46.4%</b>	<b>351,272,000</b>	<b>(20,406,000)</b>	<b>-5.5%</b>
<b>EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES</b>							
						<b>(8,480,000)</b>	
Additional Impact from Meals Program for COVID-19	0	0	0	0.0%	400,000	400,000	100.0%
<b>EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES</b>							
						<b>(8,880,000)</b>	
Less reimbursable COVID-19 expenditures to date						2,626,946	
Less projected reimbursable COVID-19 expenditures for Meals Program						400,000	
Adjustment for Pay-As-You-Go capital project deferrals						2,677,572	
Adjustment for Capital Renewal and Replacement capital project deferrals						769,000	
<b>EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES</b>							
						<b>(2,406,482)</b>	