

# MIAMI BEACH

## OFFICE OF THE CITY MANAGER

LTC NO. 061-2023

## LETTER TO COMMISSION

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

**FROM:** Alina T. Hudak, City Manager 

**DATE:** February 8, 2023

**SUBJECT:** Fiscal Year 2023 First Quarter Analysis

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The purpose of this Letter to Commission (LTC) is to provide the Mayor and City Commission with the status of the Fiscal Year (FY) 2023 operating budget for the first quarter ending December 31, 2022. In addition, this analysis includes projections through fiscal year-end September 30, 2023.

It is important to note that certain assumptions for both revenues and expenditures have been made in these projections, which will continue to be refined and adjusted as additional data and information becomes available.

### **SUMMARY**

Based on the first quarter of the current fiscal year, revenue and expenditure projections through September 30, 2023 reflect a year-end surplus of approximately \$8.0 million in the General Fund, a difference of 2%, and a \$2.1 million year-end surplus in the Resort Tax Fund.

This analysis is a preliminary projection based on experience during the first quarter of the fiscal year, which is not a definitive indication of the experience over the remainder of the current fiscal year. It does, however, provide a first glance in identifying any potential concerns or opportunities later in the fiscal year.

It is important to note that the City's adopted FY 2023-FY 2027 Capital Improvement Plan (CIP), identified a total of approximately \$1.6 billion in unfunded capital project needs over the next five years. Further, based on the City's adopted financial policies regarding the Capital Reserve Fund and Capital Funding, we are recommending that these funds be set aside for evaluation through the FY 2024 budget process as follows:

- Resolution 2002-24764 requires that at least 50% of annual General Fund revenues in excess of expenditures be transferred to the Capital Reserve Fund.
- Resolution 2006-26341 established a goal of funding at least 5% of the General Fund budget for capital needs. In recent years, this policy has not been met. In FY 2023, approximately 1.5% (\$6.6 million) of the budget was transferred to Capital Reserve and Pay-as-you-go to fund Capital needs. Had this been funded at the recommended 5%, the transfer should have totaled approximately \$19 million.
- Resolution 2006-26341 requires that one-time revenues shall be used for capital expenditures or one-time expenditures, rather than funding recurring programs.

These policies were recommended by the City's Budget Advisory Committee based on a review of the Government Financial Officers Association's recommended best practices and subsequently adopted by the City Commission.

As a result, I am recommending holding aside as much of the \$8 million surplus as possible for capital funding.

There have been a number of priority initiatives identified by the Commission and staff that will have significant funding impacts. As we develop the FY 2024 budget, the full fiscal impact of the recently approved collective bargaining agreements will need to be absorbed.

To the extent possible, it is recommended that requests, especially those with recurring impacts, be evaluated for funding as part of the FY 2024 budget development process.

However, there are certain one-time needs that have been identified, which I am recommending for immediate funding:

1. Issuance costs for the Arts and Culture Bonds approved by almost 65% of the voters on November 8, 2022 (One-time) - \$1.5 million
2. Additional Costs for Commission Chambers Renovation Project (One-time) - \$1.1 million
3. Additional Refurbishment Costs for Fire Boat (One-time) - \$233,000

I plan to bring these as budget amendments at the next Commission meeting.

Other capital projects with potential funding gaps include the 72<sup>nd</sup> Street Community Complex, Police Headquarter Facility, Fire Station 1, First Street, West Avenue and North Shore D (North Beach Town Center). While the City has applied for grants for some of these projects, at this point, the outcome of these applications is unknown.

Similarly, it is recommended that the projected Resort Tax Fund year-end surplus of \$2.1 million be set-aside to fund capital project gaps, if realized at year-end.

## **RESERVES**

The estimated General Fund reserve as of September 30, 2023 is \$95.7 million, or 25.0%, which equals 3 months of reserves based on the FY 2023 adopted budget. The reserve policy for the General Fund is a required 2 months and a goal of 3 months. (*Resolutions 2006-26341, 2019-30954*)

The estimated Resort Tax reserve as of September 30, 2023 is \$37.8 million, or 50.0%, which equals 6 months of reserves based on the FY 2023 adopted budget. The reserve policy for the 2% Resort Tax Fund is a minimum of 2 months, with a goal of 6 months. (*Resolutions 2014-28543, 2019-30664*)

Additional funding requirements for these reserves will be evaluated as part of the FY 2024 budget development process.

## **ANALYSIS**

All General Fund, Enterprise Funds, Internal Services Funds, and Special Revenue Funds budgets are projected to be at or below their current FY 2022 amended budgets as of year-end

with revenues projected to be equivalent to or in excess of expenditures, except for specific General Fund Departments and the Convention Center Enterprise Fund, which have been detailed further in the forthcoming first quarter analysis.

**GENERAL FUND**

**First Quarter Status**

An analysis of the actual three-month operating revenues and expenses for the period October 1, 2022 through December 31, 2022 reveals an operating budget surplus of approximately \$135.9 million. While the actual surplus as of December 31, 2022 may seem unusual when compared to the projection for the current fiscal year ending September 30, 2023, it should be noted that the City receives a large percentage of its annual ad valorem property tax revenues during the first three months of the fiscal year. For FY 2023, ad valorem property tax revenues represent approximately 59.3% of total budgeted revenues adopted and 80.5% of actual revenues collected during the first three months of the current fiscal year.

As of December 31, 2022, total revenues collected were approximately 54.6% of the current FY 2023 amended budget, or \$216.8 million. Conversely, expenditures were approximately 20.4% of the current FY 2023 amended budget, or \$80.9 million. It is important to note that there are often delays in expenditures until the close-out of the fiscal year.

FY 2023 Budget					
General Fund	Adopted Budget	Amended Budget	1/4 of Amended Budget	Actuals as of 12/31/22	Variance from 1/4 Amended Budget Over / (Under)
Revenues	\$ 382,618,000	\$ 397,451,000	\$ 99,362,750	\$ 216,810,482	\$ 117,447,732
Expenditures	\$ 382,618,000	\$ 397,451,000	\$ 99,362,750	\$ 80,931,525	\$ (18,431,225)
<b>Excess of Revenues Over/(Under) Expenditures</b>				<b>\$ 135,878,957</b>	

**Year-End Projections**

Year-end operating revenues and expenditures projected through September 30, 2023 provide a more realistic indication of any estimated year-end surpluses or shortfalls as of this point in time. While actual revenues and expenses reflected in this analysis are as of December 31, 2022, these projections have incorporated more current information, if available.

A summary of the preliminary General Fund revenues and expenditures as of December 31, 2022 with projections through September 30, 2023 reflects a projected year-end surplus of approximately \$8.0 million, a variance of 2% from the adopted FY 2023 budget.

FY 2023 Budget					
General Fund	Adopted Budget	Amended Budget	Projected	Difference	% Over / (Under)
Revenues	\$ 382,618,000	\$ 397,451,000	\$ 400,502,000	\$ 3,051,000	0.8%
Expenditures	\$ 382,618,000	\$ 397,451,000	\$ 392,532,000	\$ (4,919,000)	-1.2%
<b>Excess of Revenues Over/(Under) Expenditures</b>			<b>\$ 7,970,000</b>	<b>2.0%</b>	

**Operating Revenues**

For FY 2023, property tax collections are being projected at 95.0% 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 2023 budget will be provided by the Miami-Dade County Property

Appraiser in July 2023 when the City's certified property values are received.

As of December 31, 2022, actual operating revenues collected were approximately 54.6% of the current amended budget, or \$216.8 million, with operating revenues through fiscal year-end September 30, 2023 projected at \$400.5 million, which is approximately 0.8%, or \$3.1 million, above the current amended budget. As previously mentioned, these projections are not only based on experience during the first three months of the fiscal year, but also other information available.

Revenue categories with significant variances to budget in excess of 10.0%, or \$300,000, are further explained below:

**Other Taxes** – This category includes franchise taxes for gas and electric, as well as utility taxes for telephone, electricity, and gas and is projected to be above the current amended budget by 6.6%, or \$1.7 million, primarily due to franchise and utility taxes for electricity, gas, and telephone trending higher than originally anticipated based on current economic activity.

**Licenses and Permits** – This category includes business tax receipts, licenses/special use permits, and sidewalk café fee/outdoor dining concession program revenues and is projected to be above the current amended budget by 4.7%, or \$843,000, primarily due to increased revenues from the recently approved outdoor dining concession program that was implemented for FY 2023, as well as fire, planning, and public works plans review services that continue to trend higher than anticipated resulting from ongoing real estate and economic development activity.

**Charges for Services** – This category includes revenues from activities and programs offered by the Parks and Recreation Department such as after school and summer classes, as well as the operations of the Miami Beach and Normandy Shores golf courses, public safety, passport, ambulance/rescue, and lot clearing services, and is projected to be above the current amended budget by 4.5%, or \$659,000 primarily due to revenues collected from ambulance/rescue services trending above prior year levels, as well as golf course operations at both the Miami Beach and Normandy Shores golf courses continuing to trend higher than originally anticipated based on current economic activity.

**Fines and Forfeits** – This category, among other things, includes traffic fines, parking fines, fire department violations and false alarm fees, and code enforcement fines and is projected to be above the current amended budget by 30.7%, or \$388,000, primarily due to fire department false alarm fees and code enforcement fines trending higher than budget and higher than prior years.

**Interest** – This category is comprised of various sources of interest income derived from the City's current investments and is projected to be 9.4%, or \$526,000, above the current amended budget due to higher than anticipated interest rates.

**Miscellaneous** – This category includes revenues from various categories such as chargebacks to capital projects for CIP to department operations, concessions, reimbursements, and other miscellaneous revenues that include beach access fees and advertising. FY 2023 revenues are projected to be 8.7%, or \$1.4 million, below the current amended budget primarily due to an anticipated decrease in the CIP chargeback to capital projects. Currently, a flat 6.5% fee is assessed to capital projects to calculate the direct and indirect support associated with managing a capital project, which has been in existence for

over 10 years. The Administration retained Matrix Consulting to explore and evaluate alternative allocation methodologies that will be presented to the Finance and Economic Resiliency Committee (FERC) on February 17, 2023 for consideration. Should the FERC support the methodology recommended by Matrix, which is to allocate actual costs based on hours spent on capital projects, it is anticipated that approximately \$600,000 in CIP costs will need to be absorbed by the General Fund, based on FY 2022 experience. Further, the study recommends that the cost of development work on unbudgeted capital projects should be charged to the appropriate fund, including the General Fund, rather than as overhead costs to budgeted capital projects, which is anticipated at \$900,000. As a result, the projected chargeback to capital projects for CIP is projected to be below budget for FY 2023.

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

### Operating Expenditures

As of December 31, 2022, actual expenses were approximately 20.4% of the current FY 2023 amended budget, or \$80.9 million, with operating expenditures through fiscal year-end September 30, 2023 projected at \$392.5 million, which is approximately \$4.9 million below the current FY 2023 amended budget. As previously mentioned, these projections are based on an analysis of the first quarter, as well as any additional information that may be available.

General Fund expenditures by department projected to exceed budget or with variances to budget in excess of 10.0%, or \$300,000, are further explained below:

**Parks and Recreation** – The department is projected to be 3.0%, or \$1.3 million, below the current amended budget primarily due to projected savings in personnel services expenditures resulting from numerous full-time and part-time budgeted positions that have been and/or remain vacant in the current fiscal year, due to recruiting challenges.

Parks and Recreation				
	FY 2023 Amended Budget	FY 2023 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	\$ 44,084,000	\$ 42,770,000	\$ (1,314,000)	-3.0%

**Public Works** – The department is projected to be below the current amended budget by 9.4%, of \$1.6 million, resulting from projected savings in personnel services expenditures due to numerous vacancies in budgeted full-time positions within the department's Engineering, Streets and Street Lighting, and Greenspace Management divisions due to recruiting challenges. Further, savings are also projected in greenspace operating expenditures due to savings anticipated in grounds maintenance services.

Public Works				
	FY 2023 Amended Budget	FY 2023 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	\$ 17,112,000	\$ 15,508,000	\$ (1,604,000)	-9.4%

**Fire** – The department is projected to be above the current amended budget by 2.4%, or \$2.4 million, resulting from additional personnel services expenditures associated with the collective bargaining agreements that were approved by the City Commission. It is important to note that while the department is projected to exceed its current amended budget, funding

totaling approximately \$5.7 million was budgeted in a centralized Citywide Accounts budget pending approval of all the agreements. Should these projections be realized, the appropriate budget amendment will be recommended at year-end

Fire				
	FY 2023 Amended Budget	FY 2023 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	\$ 101,803,000	\$ 104,232,000	\$ 2,429,000	2.4%

**Citywide Accounts** – Citywide Accounts are a category of budgeted expenditures related to the City’s overall operations that are not readily identifiable to any specific department. These accounts are projected to be 11.1%, or approximately \$2.7 million, below the current amended budget, primarily due to the amount allocated for collective bargaining in the FY 2023 operating budget. With the ratification of the collective bargaining agreements, these expenditures are now accounted for in the appropriate General Fund departments’ budgets.

Citywide Accounts				
	FY 2023 Amended Budget	FY 2023 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	\$ 24,539,000	\$ 21,827,000	\$ (2,712,000)	-11.1%

While the above-listed General Fund departments comprise those projected to exceed their current amended budgets or with significant variances to budget in excess of 10.0%, or \$300,000, all other General Fund departments are projected to have savings at year-end that may be realigned within the General Fund to address the department overages projected above, should these projections be realized at year-end. As additional information becomes available, these projections will continue to be further refined.

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, Convention Center, and Building operations comprise this category of Proprietary Funds.

An analysis of the actual three-month operating expenses for the period October 1, 2022 through December 31, 2022, reveals that all Enterprise Funds have actual expenses that are less than one quarter of their current FY 2023 amended budgets. It is important to note that 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	Building	Convention Center
FY 2023 Adopted Budget	23,860,000	57,396,000	34,103,000	36,577,000	46,617,000	17,993,000	29,407,000
Budget Amendment - 10/26/22	0	0	0	0	0	0	0
Budget Amendment - 11/30/22	961,000	1,784,000	863,000	3,355,000	841,000	97,000	200,000
Budget Amendment - 02/01/22	0	0	0	0	0	0	0
<b>FY 2023 Amended Budget</b>	<b>24,821,000</b>	<b>59,180,000</b>	<b>34,966,000</b>	<b>39,932,000</b>	<b>47,458,000</b>	<b>18,090,000</b>	<b>29,607,000</b>
1/4 Adopted Budget	5,965,000	14,349,000	8,525,750	9,144,250	11,654,250	4,498,250	7,351,750
1/4 Amended Budget	6,205,250	14,795,000	8,741,500	9,983,000	11,864,500	4,522,500	7,401,750
Revenues as of 12/31/22	6,303,283	15,224,404	8,889,492	10,133,490	12,031,194	4,705,293	(11,365,013)
Expenditures as of 12/31/22	5,014,899	14,186,677	2,867,765	8,255,662	6,101,341	3,737,436	1,461,900
Expenditures Above/(Below) 1/4 Amended Budget	(1,190,351)	(608,323)	(5,873,735)	(1,727,338)	(5,763,159)	(785,064)	(5,939,850)
% Variance	-4.8%	-1.0%	-16.8%	-4.3%	-12.1%	-4.3%	-20.1%

Year-end operating revenue and expenditure projections through September 30, 2023 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 December 31, 2022, the year-end projections incorporate more current information that may be available.

Revenues for all Enterprise Funds are projected to be equivalent to or in excess of expenditures as of year-end. In addition, all Enterprise Fund budgets are projected to be under budget, except for Convention Center operations. Both revenues and expenditures for the Convention Center Fund are projected to be above budget, as further detailed below.

ENTERPRISE FUNDS							
	Sanitation	Sewer	Storm Water	Water	Parking	Building	Convention Center
FY 2023 Adopted Budget	23,860,000	57,396,000	34,103,000	36,577,000	46,617,000	17,993,000	29,407,000
Budget Amendment - 10/26/22	0	0	0	0	0	0	0
Budget Amendment - 11/30/22	961,000	1,784,000	863,000	3,355,000	841,000	97,000	200,000
Budget Amendment - 02/01/22	0	0	0	0	0	0	0
<b>FY 2023 Amended Budget</b>	<b>24,821,000</b>	<b>59,180,000</b>	<b>34,966,000</b>	<b>39,932,000</b>	<b>47,458,000</b>	<b>18,090,000</b>	<b>29,607,000</b>
FY 2023 Projections:							
Charges for Services	21,462,000	60,070,000	35,261,000	39,153,000	46,959,000	15,221,000	24,344,000
Other	3,029,000	1,941,000	1,223,000	2,435,000	2,731,000	2,692,000	19,427,000
FY 2023 Revenue Projections	24,491,000	62,011,000	36,484,000	41,588,000	49,690,000	17,913,000	43,771,000
<b>\$ Over/(Under) Amended Budget</b>	<b>(330,000)</b>	<b>2,831,000</b>	<b>1,518,000</b>	<b>1,656,000</b>	<b>2,232,000</b>	<b>(177,000)</b>	<b>14,164,000</b>
% Over/(Under) Amended Budget	-1.3%	4.8%	4.3%	4.1%	4.7%	-1.0%	47.8%
FY 2023 Expenditure Projections	24,491,000	58,868,000	34,417,000	39,423,000	45,406,000	17,913,000	33,268,000
<b>\$ Over/(Under) Amended Budget</b>	<b>(330,000)</b>	<b>(312,000)</b>	<b>(549,000)</b>	<b>(509,000)</b>	<b>(2,052,000)</b>	<b>(177,000)</b>	<b>3,661,000</b>
% Over/(Under) Amended Budget	-1.3%	-0.5%	-1.6%	-1.3%	-4.3%	-1.0%	12.4%
<b>Revenues Over/(Under) Expenditures</b>	<b>0</b>	<b>3,143,000</b>	<b>2,067,000</b>	<b>2,165,000</b>	<b>4,284,000</b>	<b>0</b>	<b>10,503,000</b>

**Convention Center** – The Convention Center Fund budget is projected to be above the current amended budget by approximately \$3.7 million, or 12.4%, primarily due to an increase in the number of events (55) that have been or are scheduled to be held this fiscal year compared to the 44 events that were originally anticipated for FY 2022 when the budget was developed. Although expenditures are projected to exceed the current amended budget, revenues are also projected to exceed the current amended budget resulting in a projected surplus of approximately \$10.5 million that would be available to be set aside for renewal and replacement of Convention Center assets and/or future operating and other expenditure obligations should these projections be realized at year-end. While a portion of the projected surplus is attributed to the projected increase in revenues resulting from the additional events anticipated for the current fiscal year, a significant portion is attributed to a Convention Development Tax (CDT) bonus of \$10.2 million that is anticipated to be received by the City for FY 2023 from a portion of the increased Convention Development Tax receipts collected

by Miami-Dade County in accordance with the Amended Interlocal Cooperation Agreement that was approved by the City Commission on November 19, 2014, through Resolution No. 2014-28836. Due to changes in the scheduling of events, the surplus projected as of the first quarter may vary as of year-end; therefore, the Convention Center’s operations will continue to be monitored over the coming months.

As additional information becomes available these projections will continue to be further refined.

### **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), Medical and Dental, and the Office of the Inspector General comprise this category of Proprietary Funds.

An analysis of the actual three-month operating revenues and expenses for the period October 1, 2022 through December 31, 2022, reveals that all Internal Service Funds have actual expenses that are less than one quarter of their current FY 2023 amended budgets. Similar to the Enterprise Funds, 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.

<b>INTERNAL SERVICE FUNDS</b>							
	<b>Central Services</b>	<b>Fleet Management</b>	<b>Information Technology</b>	<b>Inspector General</b>	<b>Property Management</b>	<b>Risk Management</b>	<b>Medical &amp; Dental Insurance</b>
FY 2023 Adopted Budget	1,044,000	17,761,000	19,821,000	1,726,000	12,072,000	23,846,000	46,159,000
Budget Amendment - 10/26/22	0	0	0	0	0	0	0
Budget Amendment - 11/30/22	20,000	7,167,000	873,000	454,000	777,000	1,016,000	0
Budget Amendment - 02/01/22	0	0	0	0	0	0	0
<b>FY 2023 Amended Budget</b>	<b>1,064,000</b>	<b>24,928,000</b>	<b>20,694,000</b>	<b>2,180,000</b>	<b>12,849,000</b>	<b>24,862,000</b>	<b>46,159,000</b>
1/4 Adopted Budget	261,000	4,440,250	4,955,250	431,500	3,018,000	5,961,500	11,539,750
1/4 Amended Budget	266,000	6,232,000	5,173,500	545,000	3,212,250	6,215,500	11,539,750
Revenues as of 12/31/22	258,410	3,096,769	4,630,500	431,000	2,947,960	5,749,651	10,760,760
Expenditures as of 12/31/22	202,336	1,529,951	4,253,656	394,782	1,689,976	4,177,931	9,044,265
Expenditures Above/(Below) 1/4 Amended Budget	(63,664)	(4,702,049)	(919,844)	(150,218)	(1,522,274)	(2,037,569)	(2,495,485)
% Variance	-6.0%	-18.9%	-4.4%	-6.9%	-11.8%	-8.2%	-5.4%

Year-end operating revenue and expenditure projections through September 30, 2023 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 December 31, 2022, the year-end projections incorporate more current information that may be available.

Revenues for all Internal Service Funds are projected to be equivalent to or in excess of expenditures as of year-end. Internal Service Fund budgets projected to exceed budget are further detailed below.



INTERNAL SERVICE FUNDS							
	Central Services	Fleet Management	Information Technology	Inspector General	Property Management	Risk Management	Medical & Dental Insurance
FY 2023 Adopted Budget	1,044,000	17,761,000	19,821,000	1,726,000	12,072,000	23,846,000	46,159,000
Budget Amendment - 10/26/22	0	0	0	0	0	0	0
Budget Amendment - 11/30/22	20,000	7,167,000	873,000	454,000	777,000	1,016,000	0
Budget Amendment - 02/01/22	0	0	0	0	0	0	0
FY 2023 Amended Budget	1,064,000	24,928,000	20,694,000	2,180,000	12,849,000	24,862,000	46,159,000
FY 2023 Projections:							
Charges for Services	1,038,000	16,936,000	18,563,000	1,724,000	11,778,000	22,761,000	0
Other	12,000	7,752,000	1,990,000	389,000	774,000	3,637,000	45,315,000
FY 2023 Revenue Projections	1,050,000	24,688,000	20,553,000	2,113,000	12,552,000	26,398,000	45,315,000
<b>\$ Over/(Under) Amended Budget</b>	<b>(14,000)</b>	<b>(240,000)</b>	<b>(141,000)</b>	<b>(67,000)</b>	<b>(297,000)</b>	<b>1,536,000</b>	<b>(844,000)</b>
% Over/(Under) Amended Budget	-1.3%	-1.0%	-0.7%	-3.1%	-2.3%	6.2%	-1.8%
FY 2023 Expenditure Projections							
<b>\$ Over/(Under) Amended Budget</b>	<b>(14,000)</b>	<b>(240,000)</b>	<b>(141,000)</b>	<b>(67,000)</b>	<b>(297,000)</b>	<b>1,536,000</b>	<b>(844,000)</b>
% Over/(Under) Amended Budget	-1.3%	-1.0%	-0.7%	-3.1%	-2.3%	6.2%	-1.8%
<b>Revenues Over/(Under) Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Risk Management** – This fund is projected to be 6.2%, or \$1.5 million, above the current amended budget, primarily due to unforeseen increases in general, law enforcement, and workers compensation claims, as well as legal fees for general liability claims trending significantly higher than budget. Since claims can fluctuate, 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, this will be addressed at year-end with the use of prior year fund balance in the Risk Management Fund.

These projections will continue to be refined as additional information becomes available.

### **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 Transportation and People’s Transportation Plan (PTP) Fund operations, 7<sup>th</sup> Street Garage operations, 5<sup>th</sup> & Alton Garage operations, the Tourism and Hospitality Scholarship Program, Information and Communications Technology Fund, Education Compact Fund, Franchise Waste Haulers and Sustainability Contributions, the Residential Housing Program, Red Light Camera Program operations, Emergency 911 Fund, Miami Beach Cultural Arts Council, Normandy Shores and the City’s three Security Guard Special Taxing Districts (Biscayne Point, Biscayne Beach, and Allison Island), Miami City Ballet, Art in Public Places (AiPP) operations, Tree Preservation and Commemorative Tree Trust Fund, Beachfront Concession Initiatives Program, Beach Renourishment, Resiliency, Sustainability and Resiliency, and Biscayne Bay Protection Trust Funds, Police Unclaimed Property and Crash Report Sales Funds, Police Confiscation Trust Funds (Federal and State), Police Training and School Resources Fund, the Adopt-a-Bench Program, and the Off-Duty Services Fund.

An analysis of the actual three-month operating revenues and expenses for the period October 1, 2022 through December 31, 2022, reveals that all Special Revenue Funds have actual expenses that are less than one quarter of their current FY 2023 amended budgets primarily due to expenditures that are typically incurred in the latter part of the fiscal year, except for the Art in Public Places (AiPP) Fund that incurred one-time costs for the Legacy Purchase Program during the first quarter of the fiscal year. Like other funds, it is important to note that actuals incurred through December 31, 2022 are not typically representative of trends for a full fiscal year.

Year-end operating revenue and expenditure projections through September 30, 2023 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 December 31, 2022, the year-end projections incorporate more current information that may be available.

Revenues for all Special Revenue Funds are projected to be equivalent to or in excess of expenditures as of year-end. Further, all Special Revenue Funds are projected to be below their current amended budgets.

### **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, MDPL, Orange Bowl, etc.

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

### **2% Resort Tax**

Based on the first three months of actual collections, total two percent Resort Tax revenues for FY 2023 are projected to be 3.0%, or \$2.3 million, above the current amended budget as of year-end, with the remaining months in the current fiscal year conservatively projected at 90.0% of FY 2022 collections.

Total FY 2023 two percent Resort Tax expenditures are projected to be 0.3%, or \$227,000, above the current amended budget as of year-end, due to a \$293,000 increase in the combined contributions to the Miami Beach Visitor and Convention Authority (VCA) and Greater Miami

Convention & Visitors Bureau (GMCVB) that are based on a percentage of two percent Resort Tax collections projected above budget. This is partially offset by a \$66,000 decrease attributed to personnel-related savings from several vacancies that specific departments funded by the Resort Tax Fund are in the process of trying to fill, as well as other miscellaneous departmental operating expenditures.

### **1% Resort Tax (Quality of Life)**

The proceeds of the one percent bed tax, as adopted through Resolution No. 2018-30512, and continuing in FY 2023, 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.

One percent bed tax revenues for FY 2023 are projected to be 4.4%, or \$768,000, above the current 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 that are funded by the Cultural Arts Council are directly based on the proceeds of the one percent bed tax, the related expenditures are equally projected to be 4.4%, or \$768,000, above the current amended budget as of year-end, of which \$460,000 is allocated to Transportation initiatives in tourism-related areas, \$231,000 is allocated to North, Middle, and South Beach quality of life projects equally, and \$77,000 is allocated to various arts and cultural programs that are funded by the Cultural Arts Council.

### **1% Resort Tax (Convention Center)**

To conclude, 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, similarly are projected to be 4.4%, or \$768,000, above 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 4.4%, or \$768,000, above the current amended budget as of year-end.

### **Total Resort Tax**

Overall, due to actual Resort Tax collections exceeding budget for the three months of the fiscal year and collections for the remaining months of the current fiscal year projected at 90.0% of FY 2022 collections, combined Resort Tax revenues are projected to be 3.5%, or \$3.9 million, above the current amended budget as of year-end, while expenditures are projected to be 1.6%, or \$1.8 million, above the current amended budget resulting in a projected surplus of \$2.1 million. The Administration recommends these additional funds be set-aside to fund tourism-eligible capital project gaps during the FY 2024 budget development process, if realized at year-end.

RESORT TAX FUND							
	FY 2023 Adopted Budget	FY 2023 Amended Budget	Actuals as of 12/31/22	% Actual of Amended Budget	FY 2023 Year End Projections	Over/(Under) Amended Budget	% Over/(Under) Amended Budget
<b>Revenues</b>							
2% Resort Tax	71,499,000	71,499,000	11,889,485	16.6%	73,532,000	2,033,000	2.8%
Miscellaneous Revenues	251,000	251,000	5,832	2.3%	539,000	288,000	114.7%
Fund Balance/Retained Earnings/PY Surplus	3,955,000	4,819,000	0	0.0%	4,819,000	0	0.0%
1% Resort Tax (QOL)	17,372,000	17,372,000	2,380,979	13.7%	18,140,000	768,000	4.4%
Additional 1% Resort Tax for Convention Center	17,372,000	17,372,000	2,380,979	13.7%	18,140,000	768,000	4.4%
<b>Total Revenues</b>	<b>110,449,000</b>	<b>111,313,000</b>	<b>16,657,275</b>	<b>15.0%</b>	<b>115,170,000</b>	<b>3,857,000</b>	<b>3.5%</b>
<b>Expenditures</b>							
General Fund Contribution	39,227,000	39,227,000	9,806,750	25.0%	39,227,000	0	0.0%
Sanitation Fund Contribution	3,969,000	3,969,000	992,250	25.0%	3,969,000	0	0.0%
Contribution to GMCVB	8,864,000	8,864,000	918,966	10.4%	9,060,000	196,000	2.2%
Contribution to VCA	3,433,000	3,433,000	253,694	7.4%	3,530,000	97,000	2.8%
Contribution to Mt. Sinai	1,000,000	1,000,000	0	0.0%	1,000,000	0	0.0%
Other Operating/Other Uses	19,002,000	19,740,700	1,790,054	9.1%	19,704,700	(36,000)	-0.2%
Marketing	210,000	335,300	22,100	6.6%	305,300	(30,000)	-8.9%
Transfer to NB, MB, SB Capital, Transp. and Arts (QOL)	17,372,000	17,372,000	2,380,979	13.7%	18,140,000	768,000	4.4%
Add'l 1% Conv. Center Debt Service & Cap. Ren & Repl.	17,372,000	17,372,000	0	0.0%	18,140,000	768,000	4.4%
<b>Total Expenditures</b>	<b>110,449,000</b>	<b>111,313,000</b>	<b>16,164,792</b>	<b>14.5%</b>	<b>113,076,000</b>	<b>1,763,000</b>	<b>1.6%</b>
<b>Excess of Revenues Over/(Under) Expenditures</b>	<b>0</b>	<b>0</b>	<b>492,483</b>		<b>2,094,000</b>	<b>2,094,000</b>	

## **CONCLUSION**

All General Fund, Enterprise Funds, Internal Service Funds, and Special Revenue Funds budgets are projected to be at or below their current FY 2023 amended budgets as of year-end with revenues projected to be equivalent to or in excess of expenditures, except for specific General Fund Departments and the Convention Center Enterprise Fund, as detailed in the aforementioned analysis above.

The assumptions in the first quarter projections will continue to be proactively monitored between now and the development of the second quarter projections, as well as during the development of the FY 2024 budget,

ATH/KGB/TOS

**EXHIBIT A**

CITY OF MIAMI BEACH FY 2023 GENERAL FUND 1ST QUARTER							
	FY 2023 Adopted Budget	FY 2023 Amended Budget	Actuals as of 12/31/22	% Actual of Amended Budget	FY 2023 Year End Projection	Over/(Under) Amended Budget	% Over/(Under) Amended Budget
<b>REVENUES</b>							
Ad Valorem Taxes	220,605,000	220,605,000	168,307,091	76.3%	220,605,000	0	0.0%
Ad Valorem Taxes - Pay-As-You-Go Capital	3,974,000	3,974,000	3,974,000	100.0%	3,974,000	0	0.0%
Ad Valorem Taxes - Capital Renewal & Replacement	1,944,000	1,944,000	1,944,000	100.0%	1,944,000	0	0.0%
Ad Valorem Taxes - Normandy Shores	282,000	282,000	282,000	100.0%	282,000	0	0.0%
Other Taxes	25,010,000	25,010,000	7,466,397	29.9%	26,668,000	1,658,000	6.6%
Licenses and Permits	18,040,000	18,040,000	4,095,229	22.7%	18,883,000	843,000	4.7%
Intergovernmental	14,175,000	14,175,000	3,171,095	22.4%	14,282,000	107,000	0.8%
Charges for Services	14,489,000	14,489,000	4,083,677	28.2%	15,148,000	659,000	4.5%
Fines and Forfeitures	1,264,000	1,264,000	473,188	37.4%	1,652,000	388,000	30.7%
Interest	5,577,000	5,577,000	3,384,879	60.7%	6,103,000	526,000	9.4%
Rents and Leases	6,967,000	6,967,000	1,708,883	1.0%	7,200,000	233,000	3.3%
Miscellaneous	15,566,000	15,753,000	4,772,542	30.3%	14,390,000	(1,363,000)	-8.7%
Other-Resort Tax Contribution	39,227,000	39,227,000	9,806,750	25.0%	39,227,000	0	0.0%
Other-Non-Operating Revenues	13,905,000	13,905,000	3,340,750	24.0%	13,905,000	0	0.0%
Fund Balance/Retained Earnings/PY Surplus	1,593,000	16,239,000	0	0.0%	16,239,000	0	0.0%
<b>TOTAL REVENUES</b>	<b>382,618,000</b>	<b>397,451,000</b>	<b>216,810,482</b>	<b>54.6%</b>	<b>400,502,000</b>	<b>3,051,000</b>	<b>0.8%</b>
<b>EXPENDITURES</b>							
Mayor & Commission	2,809,000	2,809,000	564,049	20.1%	2,763,000	(46,000)	-1.6%
City Manager	4,290,000	4,290,000	818,986	19.1%	4,085,000	(205,000)	-4.8%
Marketing and Communications	2,913,000	2,983,000	604,519	20.3%	2,951,000	(32,000)	-1.1%
Office of Management and Budget	1,678,000	1,678,000	317,574	18.9%	1,565,000	(113,000)	-6.7%
Org. Dev Performance Initiatives	1,944,000	3,321,000	244,032	7.3%	3,262,000	(59,000)	-1.8%
Finance	7,768,000	8,042,000	1,659,622	20.6%	8,032,000	(10,000)	-0.1%
Procurement	3,015,000	3,101,000	609,530	19.7%	3,004,000	(97,000)	-3.1%
Human Resources/Labor Relations	3,124,000	3,124,000	670,247	21.5%	3,014,000	(110,000)	-3.5%
City Clerk	1,914,000	1,933,000	419,471	21.7%	1,884,000	(49,000)	-2.5%
City Attorney	7,010,000	7,654,000	1,307,478	17.1%	7,448,000	(206,000)	-2.7%
Housing & Community Services	4,291,000	6,057,000	749,381	12.4%	5,989,000	(68,000)	-1.1%
Planning	5,790,000	6,074,000	1,178,033	19.4%	5,868,000	(206,000)	-3.4%
Environment & Sustainability	2,139,000	2,386,000	272,290	11.4%	2,293,000	(93,000)	-3.9%
Tourism and Culture	3,566,000	3,661,000	566,968	15.5%	3,658,000	(3,000)	-0.1%
Economic Development	2,571,000	2,993,000	342,988	11.5%	2,983,000	(10,000)	-0.3%
Code Compliance	6,872,000	6,886,000	1,572,991	22.8%	6,809,000	(77,000)	-1.1%
Parks & Recreation (including Golf courses)	42,998,000	44,084,000	7,458,873	16.9%	42,770,000	(1,314,000)	-3.0%
Property Management	3,698,000	3,848,000	956,834	24.9%	3,742,000	(106,000)	-2.8%
Public Works	16,086,000	17,112,000	2,896,484	16.9%	15,508,000	(1,604,000)	-9.4%
Capital Improvement Projects	5,838,000	6,003,000	1,287,291	21.4%	5,968,000	(35,000)	-0.6%
Police	130,195,000	133,070,000	30,217,130	22.7%	132,877,000	(193,000)	-0.1%
Fire	100,220,000	101,803,000	24,244,026	23.8%	104,232,000	2,429,000	2.4%
Citywide (net of individual items below):	15,389,000	18,039,000	1,973,378	10.9%	15,327,000	(2,712,000)	-15.0%
Normandy Shores	282,000	282,000	0	0.0%	282,000	0	0.0%
Capital Renewal & Replacement	1,944,000	1,944,000	0	0.0%	1,944,000	0	0.0%
Info & Comm Technology Fund	300,000	300,000	0	0.0%	300,000	0	0.0%
Pay-As-You-Go Capital Fund	3,974,000	3,974,000	0	0.0%	3,974,000	0	0.0%
<b>TOTAL EXPENDITURES</b>	<b>382,618,000</b>	<b>397,451,000</b>	<b>80,932,174</b>	<b>20.4%</b>	<b>392,532,000</b>	<b>(4,919,000)</b>	<b>-1.2%</b>
<b>EXCESS OF REVENUES OVER/(UNDER) EXPENDITURE</b>	<b>0</b>	<b>0</b>	<b>135,878,308</b>	<b>34.2%</b>	<b>7,970,000</b>	<b>7,970,000</b>	