

MIAMI BEACH

OFFICE OF THE CITY MANAGER

LTC# **367-2019**

LETTER TO COMMISSION

TO: Mayor Dan Gelber and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: June 26, 2019

SUBJECT: FY 2018/19 Second Quarter Analysis

The purpose of this Letter to Commission (LTC) is to provide the Mayor and City Commission with the status of the FY 2018/19 operating budget to actual revenues and expenses incurred for the second quarter ending March 31, 2019, with projections through fiscal year-end September 30, 2019. The City's Charter requires 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."

The first six months of any fiscal year are not a definitive indication of the experience for the remainder of the fiscal year, but do, however, provide a better glance at identifying any potential issues compared to the first quarter of any fiscal year. Certain assumptions for both revenues and expenditures have been made, which are still being further refined and will be adjusted for in later projections as additional information becomes available. These assumptions, along with our continued effort at managing the City's resources and ongoing adjustments to line item revenues and expenditures throughout the year, will impact projections looking ahead.

The FY 2018/19 budgets for the General Fund, Enterprise Funds, Internal Service Funds, and Special Revenue Funds were adopted by the Mayor and City Commission on September 26, 2018, through Resolution No. 2018-30512.

The First Amendment to the General Fund, Enterprise Funds, Internal Service Funds, and Special Revenue Funds budgets for FY 2018/19 was adopted by the Mayor and City Commission on November 14, 2018, as amended, through Resolution No. 2018-30608.

The First Amendment recognized a preliminary FY 2017/18 year-end surplus of approximately \$12.8 million in the General Fund to be allocated for the following:

- 1) \$1.4 million to be carried forward into FY 2018/19 to fund goods and/or services that were procured, but not received in FY 2017/18 due to timing issues between fiscal years;
- 2) \$2.8 million to be carried forward into FY 2018/19 for projects that were originally budgeted in FY 2017/18, but not completed due to timing issues between fiscal years;
- 3) \$1.1 million to be set-aside to fund "one-time" expenditures adopted in the FY 2018/19 General Fund budget in accordance with Resolution No. 2006-26341;
- 4) \$5.1 million to be set-aside to achieve the City's goal of maintaining an additional 6 percent (%) contingency reserve in the General Fund;
- 5) \$935,000 to be carried forward into FY 2018/19 for additional one-time expenditures;

- 6) \$729,000 to be set-aside as General Fund contingency in the FY 2018/19 operating budget for funding of temporary storm water pumps; and
- 7) \$729,000 to be carried forward and transferred to the Pay-As-You-Go Capital Fund to provide for additional funding capacity of capital projects during FY 2018/19.

In addition, the First Amendment appropriated \$2.3 million of encumbrances in the Enterprise Funds, \$157,000 of encumbrances in the Internal Service Funds, and \$1.5 million of encumbrances in the Special Revenue Funds for goods and/or services procured in FY 2017/18, but not yet received and expended, which were carried over to the respective FY 2018/19 operating budgets.

Similarly, \$2.2 million, \$1.5 million, and \$1.6 million was appropriated in the Enterprise, Internal Service, and Special Revenue Funds, respectively, for projects carried forward from FY 2017/18 to FY 2018/19 that were budgeted, but not completed during FY 2017/18.

Lastly, the First Amendment included the realignment of the Emergency Management Department's budget to the Fire Department, as part of a reorganization of operations and functions of the department. This realignment resulted in the Department of Emergency Management becoming a division of the Fire Department.

The Second Amendment to the FY 2018/19 operating budget adopted by the City Commission on April 10, 2019 through Resolution 2019-30791 appropriated funding in the amount of \$175,000 for two new positions and two existing positions transitioning from project management of the Miami Beach Convention Center campus project in the City Manager's Office to provide program management of the \$439 million General Obligation (G.O.) Bond Program approved by the City of Miami Beach voters on November 6, 2018. The costs of program management of the G.O. Bond program (4 positions) will be charged back to the capital projects funded by the voter-approved G.O. Bond.

The Second Amendment also appropriated funding in the amounts of \$51,000 and \$46,000 for two positions in the Procurement and Property Management Departments to implement the voter-approved G.O. Bond projects through the realignment of savings projected in the current year amended budgets to preserve flexibility in workload and not increase the overhead costs to the G.O. Bond projects.

The ensuing second quarter projections include the projected FY 2018/19 impact of the labor agreement reached between the City and the Communications Workers of America (CWA) for the period of October 1, 2016 to September 30, 2018, which was ratified by the CWA on November 9, 2018 and subsequently adopted by the City Commission through Resolution 2018-30614. In accordance with this agreement, the parties agreed to 1 percent, 2 percent, and 1 percent cost of living adjustments to be made commencing the first full pay period after October 1st of 2018, 2019, and 2020, respectively.

It is, however, important to note that as of April 30, 2019, all five of the City's collective bargaining agreements expired. With the exception of the new agreement ratified by the City Commission on May 8, 2019, through Resolution 2019-30831, with the International Association of Fire Fighters (IAFF), the terms of the remaining four bargaining agreements have not been finalized. Therefore, these second quarter projections do not include the projected FY 2018/19 impacts of the four collective bargaining agreements that are yet to be ratified between the City and the Fraternal Order of Police (FOP), Communications Workers of America (CWA), Government Supervisors Association of Florida (GSAF), and American Federation of State,

County and Municipal Employees (AFSCME). Subsequent projections will be refined accordingly as additional information becomes available.

In addition, as a result of the 2019 Estimated Taxable Values provided by the Miami-Dade County Property Appraiser’s Office and preparation for fiscal year-end, the Administration has enacted a hiring freeze, as well as a freeze on City-funded travel and non-essential and non-construction expenditures, which is anticipated to result in additional one-time savings realized at fiscal year-end. Forthcoming projections will be further refined to reflect the year-end savings realized from this citywide freeze.

GENERAL FUND

Year-end operating revenues and expenditures projected through September 30, 2019 provide an estimate of any year-end surpluses or shortfalls as of this point in time. Further, while actual revenues and expenses presented are as of March 31, 2019, these projections have incorporated more recent information available.

General Fund First Quarter Status

An analysis of the actual six-month operating revenues and expenses for the period October 1, 2018 through March 31, 2019 reveals an operating budget surplus of \$84.9 million. While the actual surplus as of March 31, 2019 may seem unusual when compared to the projection for the current fiscal year ending September 30, 2019, 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 52.8% of total budgeted revenues adopted in FY 2018/19 and 66.2% of actual revenues collected during the combined first and second quarter of the fiscal year.

As of March 31, 2019, total revenues collected were approximately 67.3% of the current FY 2018/19 amended budget, or \$237.4 million. Conversely, expenditures were approximately 43.2% of the current FY 2018/19 amended budget, or \$152.5 million. It is, however, important to note that there are often delays in expenditures until the close-out of the fiscal year.

FY 2018/19 Budget					
General Fund	Adopted Budget	Amended Budget	1/2 of Amended Budget	Actuals as of 03/31/19	Variance from 1/2 Amended Budget Over / (Under)
Revenues	\$ 345,645,000	\$ 352,757,000	\$ 176,378,500	\$ 237,420,459	\$ 61,041,959
Expenditures	\$ 345,645,000	\$ 352,757,000	\$ 176,378,500	\$ 152,487,736	\$ (23,890,764)
Excess of Revenues Over/(Under) Expenditures				\$	84,932,723

General Fund Year-End Projections

A summary of the preliminary General Fund revenues and expenditures as of March 31, 2019 with projections through September 30, 2019 reflects a year-end surplus of \$3.3 million, or 0.9%, which is an increase over the \$1.6 million surplus projected as of the first quarter of the fiscal year. It should be noted that this analysis is a preliminary projection based on experience over the course of the first six months of the fiscal year, which is not a definitive indication of the experience for the remainder of the current fiscal year, but does provide a first glance in identifying any potential concerns.

FY 2018/19 Budget					
General Fund	Adopted Budget	Amended Budget	Projected	Difference	% Over / (Under)
Revenues	\$ 345,645,000	\$ 352,757,000	\$ 351,280,000	\$ (1,477,000)	-0.4%
Expenditures	\$ 345,645,000	\$ 352,757,000	\$ 347,932,000	\$ (4,825,000)	-1.4%
Excess of Revenues Over/(Under) Expenditures			\$ 3,348,000		0.9%

General Fund Operating Revenues

Property tax collections for FY 2018/19 are being projected at approximately 95.0% of total property taxes assessed, which is consistent with the original adopted budget allowing for discounts, as well as a level of adjustment for appeals consistent with historical levels. The realized impact of these appeals and adjustments for the FY 2018/19 budget will be provided by the Miami-Dade County Property Appraiser in July 2019 when the City's certified property values are received.

As of March 31, 2019, actual revenues collected were approximately 67.3% of the current FY 2018/19 amended budget, or \$237.4 million. As of March 31, 2019, revenues through fiscal year-end September 30, 2019 are projected to be approximately \$351.3 million, which is 0.4%, or \$1.5 million, below the current FY 2018/19 amended budget.

As in prior years, significant variances to budget in excess of 10%, or \$300,000, by revenue category are explained below:

Other Taxes – This category includes franchise and utility taxes on electricity, gas, fuel, cable-television and telephones. Collections are projected to be 5.8%, or \$1.5 million, below the current amended budget due to usage rates, particularly those for electricity, trending lower than budget.

Licenses and Permits – This category includes business tax receipts, licenses/building/special use permits, and sidewalk café fee revenues and is projected to be below the current amended budget by 1.7%, or \$554,000, primarily due a decrease in building permit revenues of \$2.3 million resulting mainly from diminishing job size valuations, as well as the recently implemented provider discounts and decline in the number of building permits issued that all directly impact permit revenues. This decrease is, however, projected to be partially offset by increased revenues collected from business tax receipts, right-of way permits, and fire inspections, as well as planning and fire plans review activities of approximately \$1.8 million based on year-to-date collections trending higher than budget.

Rents and Leases – This category includes revenues from various rentals and leases realized from City owned properties. Projected FY 2018/19 collections are 5.4%, or \$320,000, above the current amended budget primarily due to revenues from the City's leases with the Miami Beach Marina and Penrod's (Nikki Beach) trending higher than budget by approximately \$209,000 and \$96,000, respectively. The revenues received by the City from these leases are based on a percentage of gross sales among other things.

Miscellaneous – This category includes revenue from various categories such as concessions, reimbursements, and miscellaneous revenue categories like beach access fees, advertising, and sale of city property. Projected FY 2018/19 collections are 4.7%, or \$679,000, above the current amended budget primarily due to the City receiving a one-time refund from Florida Power and Light (FPL) in the amount of approximately \$431,000. As further detailed in the Letter-to-Commission dated May 10, 2019 (LTC 284-2019), the

Public Works Department in coordination with FPL conducted a high-level assessment of the City’s account with FPL, which resulted in the determination that a detailed audit of the City’s streetlights was merited. After completing the requested audit earlier this year, which covered a span of seven years, the utilities provider revealed that it had over-billed the City during numerous years for streetlights that were not in service resulting in the refund for the amount received. FY 2018/19 miscellaneous General Fund revenues are also projected to exceed budget due to beachfront concession revenues and other miscellaneous revenues trending higher than budget.

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

General Fund Operating Expenditures

As of March 31, 2019, actual General Fund expenses were approximately \$152.5 million, or 43.2%, of the current FY 2018/19 amended budget. As of March 31, 2019, expenditures through fiscal year-end September 30, 2019 are projected to be \$347.9 million, which is approximately \$4.8 million, or 1.4%, below the current FY 2018/19 amended budget. These projections are based on an analysis of the first six months of the fiscal year, and also incorporate any additional information available. As previously mentioned, it is important to note that these projections do not include the projected FY 2018/19 impacts of the four collective bargaining agreements yet to be ratified, which predominately impact operational departments including, but not limited to: Building, Code Compliance, Parks and Recreation, Public Works, and Police.

A comparison of actual expenses and projected expenditures to budget, by department, as of March 31, 2019, is provided in the attached [Schedule A](#). As in prior years, departments projected to exceed budget, or with significant variances to budget in excess of 10%, or \$300,000, are explained below:

Building – The department is projected to be 10.1%, or \$1.5 million, below the current amended budget due to a slowdown in the number of building permits being issued. As a result of this, savings of \$794,000 are projected in operating expenditures driven primarily by a decline in the need for outside inspection and engineering services of \$744,000 plus projected savings in other miscellaneous operating expenditures related to the department’s operations of \$50,000. The department is also projected to have savings of \$750,000 in personnel services costs due to numerous vacancies, as well as a reorganization of positions to better align the current staffing needs of the department with current operational needs.

Building				
	FY 2018/19 Amended Budget	FY 2018/19 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	\$ 15,250,000	\$ 13,706,000	\$ (1,544,000)	-10.1%

Communications – The department is projected to be 1.5%, or \$38,000, above the current amended budget, primarily due to staffing changes within the department as part of the department’s ongoing effort to meet the City’s demands for enhanced and diversified marketing, advertising, and media promotions. We will continue to monitor the department’s expenditures over the remainder of the year and, if necessary, amend the department’s budget through the realignment of existing funds if these additional expenditures are realized at year-end.

Communications				
	FY 2018/19 Amended Budget	FY 2018/19 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	\$ 2,589,000	\$ 2,627,000	\$ 38,000	1.5%

Police – The department is projected to be 1.1%, or \$1.2 million, above the current amended budget due to increased usage of sworn Police overtime. The department currently has several sworn personnel vacancies that it is currently in the process of filling, which is a long and thorough process. As a result, while these vacancies are in the process of being filled, the department has relied on increased usage of unbudgeted overtime of \$1.1 million to maintain required minimum patrol staffing and police visibility citywide. In addition, changes in the deployment of resources during the extended Spring Break period this year, un-reimbursable overtime related to the Florida Department of Transportation (FDOT) MacArthur Causeway project, and deployment of personnel related to Hurricane Michael have required the department to incur additional overtime costs of approximately \$606,000, \$150,000, and \$242,000, respectively. This projected overage in overtime of approximately \$2.1 million is anticipated to be partially offset by projected savings in budgeted health and life insurance for active employees and retirees of approximately \$1.0 million. We will continue to monitor the department’s expenditures over the course of the remainder of the year and amend the department’s budget at year-end, if necessary, through the realignment of existing funds.

Police				
	FY 2018/19 Amended Budget	FY 2018/19 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	\$ 112,708,000	\$ 113,919,000	\$ 1,211,000	1.1%

Public Works – The department is projected to be below the current amended budget by 2.2%, or \$337,000, resulting from savings in personnel services expenditures due to numerous vacancies within the department, which includes Engineering, Streets, and Greenspace Management.

Public Works				
	FY 2018/19 Amended Budget	FY 2018/19 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	\$ 15,349,000	\$ 15,012,000	\$ (337,000)	-2.2%

Citywide Accounts (Net of Transfers) – The Citywide Accounts, net of transfers, are projected to be below the current amended budget by 9.5%, or \$1.8 million, primarily due to savings realized in debt service originally budgeted in the amount of \$1.2 million for replacement of the City’s public safety radio system that was approved for funding from the voter-approved G.O. Bond Program instead. In addition, expenditures for accumulated leave settlements and other miscellaneous expenditures are projected to be below budget at year-end by approximately \$569,000 based on current year trends. Should these projected savings be realized at year-end, the savings can be realigned within the General Fund to address any department overages realized at year-end.

Citywide Accounts				
	FY 2018/19 Amended Budget	FY 2018/19 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	\$ 18,589,000	\$ 16,823,000	\$ (1,766,000)	-9.5%

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, Sewer, Storm Water, Water, 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, 2018 through March 31, 2019, reveals that all Enterprise Funds have expenses less than one-half of their current FY 2018/19 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 2018/19 Adopted Budget	22,392,000	50,679,000	29,390,000	34,555,000	53,609,000	19,374,000
Budget Amendment - 11/14/18	155,000	1,643,000	384,000	1,635,000	456,000	321,000
Budget Amendment - 04/10/19	0	0	0	0	0	0
FY 2018/19 Amended Budget	22,547,000	52,322,000	29,774,000	36,190,000	54,065,000	19,695,000
1/2 Adopted Budget	11,196,000	25,339,500	14,695,000	17,277,500	26,804,500	9,687,000
1/2 Amended Budget	11,273,500	26,161,000	14,887,000	18,095,000	27,032,500	9,847,500
Revenues as of 03/31/19	9,150,721	24,971,030	14,629,201	17,019,328	24,796,364	1,887,064
Expenditures as of 03/31/19	9,427,042	20,144,981	11,197,439	13,217,127	19,389,659	2,820,046
Expenditures Above/(Below) 1/2 Amended Budget	(1,846,458)	(6,016,019)	(3,689,561)	(4,877,873)	(7,642,841)	(7,027,454)
% Variance	-8.2%	-11.5%	-12.4%	-13.5%	-14.1%	-35.7%

Year-end operating revenue and expenditure projections through September 30, 2019 provide a more realistic indication of any anticipated year-end surpluses or shortfalls as of this point in time. In addition, while the actual revenues and expenses presented above are as of March 31, 2019, the year-end projections incorporate more recent information available. The following projections do not include the projected FY 2018/19 impacts of the four pending collective bargaining agreements yet to be ratified which predominately impact all Enterprise Funds except for Convention Center operations.

As reflected below, revenues for all Enterprise Funds are projected to be equivalent to or in excess of expenditures as of year-end. It is, however, important to note that as part of the FY 2018/19 operating budget, the City's policy of "not utilizing one-time, non-recurring revenue to subsidize recurring personnel, operating, and maintenance costs" was waived for the Sanitation Department, as set forth by Resolution 2018-30512, appropriating \$2.8 million of prior year fund balance from the Sanitation Fund for recurring expenditures in FY 2018/19. Of the \$2.8 million necessary to be appropriated from prior year fund balance in the Sanitation Fund, \$1.9 million was attributed to the limitation in the Resort Tax Fund's capacity to fund the full \$3.7 million to be transferred to the Sanitation Fund for services provided in the City's tourism-related areas. The projections below for the Sanitation Fund include the use of approximately \$1.6 million of prior year fund balance from the Sanitation Fund to fund recurring costs projected in FY 2018/19.

ENTERPRISE FUNDS						
	Sanitation	Sewer	Storm Water	Water	Parking	Convention Center
FY 2018/19 Adopted Budget	22,392,000	50,679,000	29,390,000	34,565,000	53,609,000	19,374,000
Budget Amendment - 11/14/18	155,000	1,643,000	384,000	1,635,000	456,000	321,000
Budget Amendment - 04/10/19	0	0	0	0	0	0
FY 2018/19 Amended Budget	22,547,000	52,322,000	29,774,000	36,190,000	54,065,000	19,695,000
FY 2018/19 Projections						
Charges for Services	21,684,000	50,953,000	30,675,000	35,730,000	47,370,000	7,311,000
Other	190,000	1,369,000	(240,000)	481,000	4,597,000	11,374,000
FY 2018/19 Revenue Projections	21,874,000	52,322,000	30,435,000	36,211,000	51,967,000	18,685,000
\$ Over/(Under) Amended Budget	(673,000)	0	661,000	21,000	(2,098,000)	(1,010,000)
% Over/(Under) Amended Budget	-3.0%	0.0%	2.2%	0.1%	-3.9%	-5.1%
FY 2018/19 Expenditure Projections						
\$ Over/(Under) Amended Budget	(673,000)	0	0	0	(2,098,000)	(1,010,000)
% Over/(Under) Amended Budget	-3.0%	0.0%	0.0%	0.0%	-3.9%	-5.1%
Excess of Revenues Over/(Under) Expenditures	0	0	661,000	21,000	0	0

Departments projected to exceed budget, or with significant variances to budget in excess of \$300,000, or 10 percent, are explained below:

Sanitation – Expenditures in this fund are projected to be 3.0%, or \$673,000, below the current amended budget, primarily due to projected savings in personnel costs of \$887,000 resulting from several vacant positions that the department has been unable to fill or is in the process of filling. These projected personnel costs savings are, however, anticipated to be partially offset by the need for additional temporary labor of \$231,000 that the department anticipates will be necessary to supplement permanent department staffing shortages resulting from the vacancies currently in the department.

Parking – Expenditures in this fund are projected to be 3.9%, or \$2.1 million, below the current amended budget, primarily due to a decrease in the amount available to be set-aside for capital renewal and replacement of existing Parking Department assets in the amount of approximately \$1.8 million. This decrease is directly attributed to the ongoing diminished demand and usage of on-street and off-street parking adversely impacted by private on-demand ride booking services. Additional savings of approximately \$281,000 are also projected based on savings in personnel services expenditures resulting from current position vacancies that the department has been unable to fill or is in the process of filling.

Convention Center – Expenditures in this fund are projected to be 5.1%, or \$1.0 million, below the current amended budget, primarily due to the loss of various shows and events, including the Home Show, South Florida Boat Show, and Condo and HOA Expo, as reported by Spectra, the company currently contracted by the City for management of the Miami Beach Convention Center. The projected reduction in FY 2018/19 expenditures resulting from the loss of these shows, combined with the projected \$4.7 million Convention Development Tax (CDT) bonus to be received from Miami-Dade County for FY 2018/19, is projected to provide an additional \$229,000 to be set-aside for future renewal and replacement of existing capital assets of the newly renovated Miami Beach Convention Center.

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, 2018 through March 31, 2019, reveals that all Internal Service Funds have expenses less than one-half of their current FY 2018/19 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 2018/19 Adopted Budget	1,101,000	11,492,000	16,614,000	9,733,000	19,460,000	37,938,000
Budget Amendment - 11/14/18	12,000	40,000	110,000	316,000	1,166,000	0
Budget Amendment - 04/10/19	0	0	0	0	0	0
FY 2018/19 Amended Budget	1,113,000	11,532,000	16,724,000	10,049,000	20,626,000	37,938,000
1/2 Adopted Budget	550,500	5,746,000	8,307,000	4,866,500	9,730,000	18,969,000
1/2 Amended Budget	556,500	5,766,000	8,362,000	5,024,500	10,313,000	18,969,000
Revenues as of 03/31/19	539,304	5,505,983	7,965,298	4,829,067	9,681,808	17,991,544
Expenditures as of 03/31/19	500,015	4,370,190	6,376,227	3,271,022	5,343,430	14,714,900
Expenditures Above/(Below) 1/2 Amended Budget	(56,485)	(1,395,810)	(1,985,773)	(1,753,478)	(4,969,570)	(4,254,100)
% Variance	-5.1%	-12.1%	-11.9%	-17.4%	-24.1%	-11.2%

Year-end operating revenue and expenditure projections through September 30, 2019 provide a more realistic indication of any anticipated year-end surpluses or shortfalls as of this point in time. Further, while the actual revenues and expenses presented above are as of March 31, 2019, the year-end projections incorporate additional information available. The following projections do not include the projected FY 2018/19 impacts of the four collective bargaining agreements yet to be ratified which predominately impact Central Services, Fleet Management, and Property Management. Since Internal Service Funds function on a cost reimbursement basis, should any Internal Service Fund Department exceed its amended budget at year-end, the overage will be charged back to all applicable departments of which a large proportion would impact the General Fund.

As reflected below, revenues for all Internal Service Funds are projected to be equivalent to expenditures as of year-end.

INTERNAL SERVICE FUNDS						
	Central Services	Fleet Management	Information Technology	Property Management	Risk Management	Medical & Dental Insurance
FY 2018/19 Adopted Budget	1,101,000	11,492,000	16,614,000	9,733,000	19,460,000	37,938,000
Budget Amendment - 11/14/18	12,000	40,000	110,000	316,000	1,166,000	0
Budget Amendment - 04/10/19	0	0	0	0	0	0
FY 2018/19 Amended Budget	1,113,000	11,532,000	16,724,000	10,049,000	20,626,000	37,938,000
FY 2018/19 Projections						
Charges for Services	1,091,000	11,110,000	15,862,000	9,657,000	18,540,000	0
Other	22,000	377,000	702,000	192,000	2,086,000	35,542,000
FY 2018/19 Revenue Projections	1,113,000	11,487,000	16,564,000	9,849,000	20,626,000	35,542,000
\$ Over/(Under) Amended Budget	0	(45,000)	(160,000)	(200,000)	0	(2,396,000)
% Over/(Under) Amended Budget	0.0%	-0.4%	-1.0%	-2.0%	0.0%	-6.3%
FY 2018/19 Expenditure Projections	1,113,000	11,487,000	16,564,000	9,849,000	20,626,000	35,542,000
\$ Over/(Under) Amended Budget	0	(45,000)	(160,000)	(200,000)	0	(2,396,000)
% Over/(Under) Amended Budget	0.0%	-0.4%	-1.0%	-2.0%	0.0%	-6.3%
Excess of Revenues Over/(Under) Expenditures	0	0	0	0	0	0

Departments projected to exceed budget, or with significant variances to budget in excess of \$300,000, or 10 percent, are explained below:

Medical and Dental – Expenditures are projected to be 6.3%, or \$2.4 million, below the current amended budget due to medical claims trending lower than budgeted in FY 2018/19 based on current claims experience and adjusted actuarial forecasts as of the end of the second quarter of FY 2018/19. It is important to note that despite the better-than-anticipated claims experience realized during the first six months of the year, claims can fluctuate significantly throughout the year; therefore, we will continue to monitor trends over the coming months and future projections will be adjusted accordingly.

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 7th Street Garage Operations, 5th & Alton Garage Operations, the Tourism and Hospitality Scholarship Program, Tree Preservation and Commemorative Tree Trust Program, Waste Hauler and Sustainability Contributions, Education Compact Fund, Red Light Camera Program, Emergency 911 Fund, Residential Housing Program, Information and Communications Technology Fund, People’s Transportation Plan (PTP) Fund, Miami Beach Cultural Arts Council, 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, 2018 through March 31, 2019, reveals that all Special Revenue Funds, except the 5th & Alton Garage, Waste Haulers, and Police Training Fund have expenses less than one-half of their current FY 2018/19 amended budgets due primarily to expenditures that are typically incurred in the latter part of the fiscal year. The 5th & Alton Garage, Waste Haulers, and Police Training Funds have expenses that are more than one-half of their current FY 2018/19 amended budgets due to one-time expenses for equipment, training, insurance, etc. incurred during the first half of the fiscal year. It is important to note that while the actuals incurred for these particular funds through March 31, 2019 are in excess of one-half of their respective FY 2018/19 amended budgets, this is not normally representative of the typical trend for a full fiscal year.

Departments projected to exceed budget, or with significant variances to budget in excess of \$300,000, or 10 percent, are explained below:

Red-Light Camera – This fund is projected to be 40.0%, or \$526,000, below the current amended budget due to delays in the installation of an additional five red light cameras originally anticipated to be installed and fully operational by January 2019, as well as revenues generated from the existing red-light cameras trending lower than budgeted, which includes one existing camera that is offline due to the Convention Center renovation project. Overall, expenditures are projected to exceed revenues by \$25,000; therefore, any shortfall realized at year-end will be offset by the use of prior year fund balance from the Red Light Camera Fund.

Red Light Camera				
	FY 2018/19 Amended Budget	FY 2018/19 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	\$ 1,316,000	\$ 790,000	\$ (526,000)	-40.0%

Commemorative Tree Trust Fund – This fund is projected to be 50.0%, or \$5,000, below the current amended budget due to a significant decline in the anticipated number of contributions and donations to be received for the Commemorative Tree Program. The Commemorative Tree Program was established in 2016 and provides residents and visitors with a unique way of commemorating a special event, memory, or loved one that will contribute to the enhancement of the City’s urban forest. As a result of the decline in contributions and donations, projected year-end expenditures have been adjusted accordingly since expenditures are directly correlated with the donations and contributions received.

Commemorative Tree Trust				
	FY 2018/19 Amended Budget	FY 2018/19 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	\$ 10,000	\$ 5,000	\$ (5,000)	-50.0%

Adopt-A-Bench Program – This fund is projected to be 100.0%, or \$60,000, below the current amended budget due to a significant decline in the number of anticipated contributions to be received for the Adopt-A-Bench Program. This program was established to provide individuals and/or entities with the opportunity to commemorate or honor family, friends, or special events by adopting a new or existing bench in a City park. As a result of the anticipated decline in contributions, projected year-end expenditures have been adjusted accordingly since expenditures are associated with contributions received.

Adopt-A-Bench				
	FY 2018/19 Amended Budget	FY 2018/19 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	\$ 60,000	\$ 0	\$ (60,000)	-100.0%

E-911 – While the Fire Department’s E-911 projections through September 30, 2019 do not meet the previously mentioned criteria requiring an explanation, it is important to note that the department’s expenditures are based on revenues realized at year-end from fees collected by voice communications service providers (wireless, wireless prepaid, and non-wireless) that are remitted to the State of Florida and distributed to eligible counties and municipalities throughout the State of Florida. As of the second quarter of FY 2018/19, revenues are projected to be in excess of expenditures as of year-end by \$383,000 primarily due to revenues trending higher than budget. Should these additional projected revenues be realized at year-end, allowable expenditures incurred in the Department’s General Fund will be charged-back to the E-911 fund.

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 and 2
- Ocean Rescue services
- Sidewalk pressure cleaning in South, Middle, and North Beach visitor areas
- South Beach sanitation services
- 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 operations 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 high impact period costs
- Homeless services
- July 4th, Visitor Center funding, Holiday Lighting, 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 Air and Sea Show, and various concerts.

Two percent Resort Tax collections as of year-end are projected to be 0.5%, or \$298,000, above the current FY 2018/19 amended budget, which was originally adopted assuming a conservative 1.0% increase over projected FY 2017/18 collections.

Total two percent Resort Tax expenditures as of year-end are projected to be \$15,000, above the current FY 2018/19 amended budget resulting from an increase in the projected contribution to the Miami Beach Visitor and Convention Authority (VCA), which is based on a percentage of total two percent collections.

The proceeds of the one percent bed tax commencing FY 2018/19, as adopted by the City Commission through Resolution 2018-30512, 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 Resort Tax operating revenues as of year-end are projected to be 0.1%, or \$17,000, above the current FY 2018/19 amended budget. Simultaneously, since transfers for Transportation initiatives in tourism-related areas, North, Middle, and South Beach Quality of Life (QOL) projects, and various arts and cultural programs are directly based on the proceeds of the one percent tax collected, one percent Resort Tax expenditures as of year-end are equally projected to be 0.1%, or \$17,000, above the current amended budget.

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 0.1%, or \$17,000, above the current FY 2018/19 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 collected, be set-aside for Capital Renewal and Replacement funding for the newly renovated Miami Beach Convention Center, additional one percent bed tax expenditures as of year-end are also projected to be 0.1%, or \$17,000, above the current amended budget.

Overall, combined 2%, 1% bed tax, and 1% Convention Center Resort Tax revenues as of year-end are projected to be 0.1%, or \$49,000, above the current FY 2018/19 amended budget, while expenditures are at the same time projected to be 0.1%, or \$49,000, above the current amended budget as of year-end as well. As additional economic data and tourism information becomes available these projections will continue to be refined.

RESORT TAX FUND									
	FY 2018/19 Adopted Budget	1st Amendment 11/14/18	2nd Amendment 04/10/19	Amended FY 2018/19 Budget	Actuals as of 03/31/19	% Actual of Amended Budget	FY2018/19 Year End Projections	Over/(Under) Amended Budget	Over/(Under) Amended Budget
Revenues									
2% Resort Tax	59,628,000	0	0	59,628,000	28,465,657	44.4%	59,626,000	298,000	0.5%
Miscellaneous Revenues	343,000	0	0	343,000	403,334	117.6%	1,037,000	694,000	202.3%
Transfer In from Fund Balance	651,000	450,000	0	1,101,000	0	0.0%	124,000	(977,000)	-88.7%
1% Resort Tax (QOL)	14,421,000	0	0	14,421,000	6,541,191	45.4%	14,438,000	17,000	0.1%
Additional 1% for Convention Center	14,421,000	0	0	14,421,000	6,541,191	45.4%	14,438,000	17,000	0.1%
Total Revenues	89,464,000	450,000	0	89,914,000	39,951,373	44.4%	89,963,000	49,000	0.1%
Expenditures									
General Fund Contribution	35,836,000	0	0	35,836,000	17,918,000	50.0%	35,836,000	0	0.0%
Sanitation Fund Contribution	1,812,000	0	0	1,812,000	906,000	50.0%	1,812,000	0	0.0%
Contribution to GMCVB	6,651,000	0	0	6,651,000	5,033,641	75.7%	6,651,000	0	0.0%
Contribution to VCA	2,862,000	0	0	2,862,000	975,950	34.1%	2,877,000	15,000	0.5%
Contribution to Mt. Sinai	1,000,000	0	0	1,000,000	0	0.0%	1,000,000	0	0.0%
Other Operating/Other Uses	12,261,000	450,000	0	12,711,000	4,839,783	38.1%	12,711,000	0	0.0%
Marketing	200,000	0	0	200,000	28,302	14.2%	200,000	0	0.0%
Transfer to NB, MB, SB Capital, Transp, and Arts (QOL)	14,421,000	0	0	14,421,000	6,541,191	45.4%	14,438,000	17,000	0.1%
Addtl 1% Conv. Center Debt Service & Cap. Ren & Repl.	14,421,000	0	0	14,421,000	4,495,127	31.2%	14,438,000	17,000	0.1%
Total Expenditures	89,464,000	450,000	0	89,914,000	40,738,295	45.3%	89,963,000	49,000	0.1%
Excess of Revenues Over/(Under) Expenditures	0	0	0	0	(786,922)		0		

CONCLUSION

This analysis of budget to actual operating revenues and expenses as of March 31, 2019, with projections through September 30, 2019, provides the status of the current FY 2018/19 amended budget for the first six months of the fiscal year. While the first six months of the fiscal year does not provide a definitive indication of experience for the remainder of the fiscal year, it does provide further clarity in proactively identifying any potential issues.

Based on preliminary projections as of March 31, 2019, the General Fund is anticipated to have a year-end surplus totaling \$3.3 million, which is an increase over the \$1.6 million surplus projected as of the first quarter of this fiscal year. All funds will continue to be monitored over the coming months and projections will be further refined as the fiscal year progresses and additional data and information becomes available.


 JLM/JWTOS

SCHEDULE A

CITY OF MIAMI BEACH FY 2018/19 GENERAL FUND 2ND QUARTER							
	FY2018/19 Adopted Budget	FY2018/19 Amended Budget	Actuals as of 03/31/19	% Actual of Amended Budget	FY2018/19 Year End Projections	Over/(Under) Amended Budget	% Over/(Under) Amended Budget
REVENUES							
Ad Valorem Taxes	179,020,000	179,020,000	153,749,336	85.9%	179,020,000	0	0.0%
Ad Valorem Taxes - Pay-As-You-Go Capital	2,400,000	2,400,000	2,400,000	100.0%	2,400,000	0	0.0%
Ad Valorem Taxes - Capital Renewal & Replacement	748,000	748,000	748,000	100.0%	748,000	0	0.0%
Ad Valorem Taxes - Normandy Shores	165,000	165,000	165,000	100.0%	165,000	0	0.0%
Other Taxes	25,262,000	25,262,000	9,371,549	37.1%	23,790,000	(1,472,000)	-5.8%
Licenses and Permits	31,394,000	31,769,000	18,535,518	58.3%	31,215,000	(554,000)	-1.7%
Intergovernmental	12,115,000	12,115,000	5,042,580	41.6%	11,842,000	(273,000)	-2.3%
Charges for Services	12,503,000	12,503,000	6,626,589	53.0%	12,792,000	289,000	2.3%
Fines and Forfeitures	1,860,000	1,860,000	612,028	43.7%	1,654,000	(206,000)	-11.1%
Interest	3,617,000	3,617,000	3,826,504	105.8%	3,345,000	(272,000)	-7.5%
Rents and Leases	5,899,000	5,899,000	3,978,025	1.0%	6,219,000	320,000	5.4%
Miscellaneous	14,176,000	14,351,000	4,446,483	31.0%	15,030,000	679,000	4.7%
Other-Resort Tax Contribution	35,836,000	35,836,000	17,918,000	50.0%	35,836,000	0	0.0%
Other-Non-Operating Revenues	19,577,000	19,577,000	9,800,846	50.1%	19,589,000	12,000	0.1%
Fund Balance/Retained Earnings	1,073,000	1,073,000	0	0.0%	1,073,000	0	0.0%
Prior Year-End Surplus Carryover	0	6,562,000	0	0.0%	6,562,000	0	0.0%
TOTAL REVENUES	345,645,000	352,757,000	237,420,459	67.3%	351,280,000	(1,477,000)	-0.4%
EXPENDITURES							
Building	15,243,000	15,250,000	6,211,158	40.7%	13,706,000	(1,544,000)	-10.1%
Capital Improvement Projects	5,227,000	5,227,000	2,220,321	42.5%	4,965,000	(262,000)	-5.0%
City Attorney	5,818,000	6,124,000	2,571,467	42.0%	5,922,000	(202,000)	-3.3%
City Clerk	1,755,000	1,765,000	766,950	43.5%	1,731,000	(34,000)	-1.9%
City Manager	4,129,000	4,304,000	1,986,761	46.2%	4,235,000	(69,000)	-1.6%
Code Compliance	6,215,000	6,353,000	2,584,212	40.7%	6,060,000	(293,000)	-4.6%
Communications	2,339,000	2,589,000	1,061,778	41.0%	2,627,000	38,000	1.5%
Emergency Management	1,513,000	0	0	-	0	0	-
Environment & Sustainability	1,462,000	1,492,000	499,918	33.5%	1,468,000	(24,000)	-1.6%
Finance	6,714,000	6,933,000	2,980,691	43.0%	6,868,000	(75,000)	-1.1%
Fire	87,551,000	89,625,000	41,699,000	46.5%	89,331,000	(294,000)	-0.3%
Housing & Comm Services	3,624,000	3,700,000	1,355,519	36.6%	3,600,000	(100,000)	-2.7%
Human Resources/Labor Relations	3,003,000	3,105,000	1,241,615	40.0%	3,015,000	(90,000)	-2.9%
Mayor and Commission	2,416,000	2,416,000	1,059,063	43.8%	2,333,000	(83,000)	-3.4%
Internal Audit	832,000	1,100,000	267,667	24.3%	1,037,000	(63,000)	-5.7%
Office of Budget & Performance Improv	1,875,000	1,880,000	850,350	45.2%	1,849,000	(31,000)	-1.6%
Office of Inspector General	484,000	484,000	0	0.0%	296,000	(188,000)	-38.8%
Org Development & Perf Initiatives	893,000	1,059,000	350,838	33.1%	998,000	(61,000)	-5.8%
Parks and Recreation	38,680,000	39,076,000	16,910,960	43.3%	38,841,000	(235,000)	-0.6%
Planning	4,686,000	5,513,000	2,246,359	40.7%	5,508,000	(5,000)	-0.1%
Police	112,094,000	112,708,000	52,720,035	46.8%	113,919,000	1,211,000	1.1%
Procurement	2,550,000	2,743,000	1,151,474	42.0%	2,624,000	(119,000)	-4.3%
Public Works	15,176,000	15,349,000	5,803,216	37.8%	15,012,000	(337,000)	-2.2%
Tourism, Culture, & Economic Development	5,373,000	5,373,000	2,108,257	39.2%	5,174,000	(199,000)	-3.7%
Citywide Accounts & Operating Contingency	12,292,000	14,159,000	3,840,126	27.1%	12,383,000	(1,766,000)	-12.5%
Citywide-Normandy Shores	253,000	253,000	0	0.0%	253,000	0	0.0%
Citywide-Transfers-Info & Comm Technology Fund	300,000	300,000	0	0.0%	300,000	0	0.0%
Citywide-Transfers-Pay-As-You Go Capital Fund	2,400,000	3,129,000	0	0.0%	3,129,000	0	0.0%
Citywide-Transfers-Capital Renewal & Replacement	748,000	748,000	0	0.0%	748,000	0	0.0%
TOTAL EXPENDITURES	345,645,000	352,757,000	152,487,736	43.2%	347,932,000	(4,825,000)	-1.4%
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES	0	0	84,932,723		3,348,000		