MIAMIBEACH

OFFICE OF THE CITY MANAGER

LTC# 457-2019

LETTER TO COMMISSION

TO: Mayor Dan Gelber and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: August 14, 2019

SUBJECT: FY 2019 Third Quarter Analysis

SUMMARY

The purpose of this Letter to Commission (LTC) is to provide the Mayor and City Commission with the status of the FY 2019 operating budget to actual revenues and expenses incurred for the third quarter ending June 30, 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."

A summary of the preliminary General Fund revenues and expenditures as of June 30, 2019 with projections through September 30, 2019 reflects a year-end surplus of $7.9 million, or 2.2%, which is an increase over the $3.3 million surplus projected as of the second quarter of the fiscal year.

Based on the preliminary General Fund revenues and expenditures as of June 30, 2019 with projections through September 30, 2019, the Administration recommends that the projected year-end surplus be utilized as follows:

(1) $2.7 million to fund "one-time" expenditure enhancements recommended for funding as part of the proposed FY 2020 General Fund budget in accordance with Resolution 2006-26341;
(2) Fund encumbered and unencumbered carryforward requests from FY 2019 to FY 2020 due to timing for goods/services that have either not been procured at year-end or projects that have not been expended; and
(3) Any excess set aside to achieve the City's additional General Fund reserve targets.

It is important to note that this is a preliminary projection based on experience over the course of the first nine months of the current fiscal year; therefore, certain assumptions for both revenues and expenditures have been made, which will be adjusted for when year-end numbers are available in November.

All General Fund, Enterprise Funds, Internal Service Funds, and Special Revenue Funds are projected to be at or below their current FY 2019 amended budgets as of year-end with revenues projected to be equivalent to or in excess of expenditures unless otherwise noted in the following projections.

BACKGROUND

The first nine months of the fiscal year provide a clearer indication of the experience for the remainder of the fiscal year as compared to the projections for previous quarters. It should be noted that this analysis is still, however, a preliminary projection that will be updated after year-end numbers are available in November. Therefore, certain assumptions for both revenues and expenditures have been made, which will be adjusted for when year-end numbers are available.

The FY 2019 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 2019 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 2018 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 2019 to fund goods and/or services that were procured, but not received in FY 2018 due to timing issues between fiscal years;
2) $2.8 million to be carried forward into FY 2019 for projects that were originally budgeted in FY 2018, 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 2019 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 2019 for additional one-time expenditures;
6) $729,000 to be set-aside as General Fund contingency in the FY 2019 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 2019.

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 2018, but not yet received and expended, which were carried over to the respective FY 2019 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 2018 to FY 2019 that were budgeted, but not completed during FY 2018.

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 2019 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 third quarter projections include the projected FY 2019 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.

Further, it is important to note that as of August 7, 2019, all five of the City's collective bargaining agreements expired. With the exception of the new agreements ratified by the City Commission with the International Association of Fire Fighters (IAFF) on May 8, 2019 through Resolution 2019-30831, the Government Supervisors Association of Florida (GSAF) on July 17, 2019 through Resolution 2019-30909, and the Fraternal Order of Police (FOP) on July 31, 2019 through Resolution 2019-30935, the terms of the remaining collective bargaining agreements have not been finalized. Therefore, these third quarter projections do not include the projected FY 2019 impacts of the collective bargaining agreements yet to be ratified between the City and the Communications Workers of America (CWA), as well as the American Federation of State, County and Municipal Employees (AFSCME).

Lastly, as a result of the 2019 Estimated Taxable Values and 2019 Certified Taxable Values provided by the Miami-Dade County Property Appraiser and preparation for fiscal year-end, the Administration enacted a hiring freeze as of June 6, 2019, 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. The year-end numbers available in November will be updated to reflect any year-end savings realized from this citywide freeze, which is proposed to be utilized for funding of one-time expenditure enhancements recommended by the Administration for FY 2020.

GENERAL FUND

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

General Fund Third Quarter Status

An analysis of the actual nine-month operating revenues and expenses for the period October 1, 2018 through June 30, 2019 reveals an operating budget surplus of $62.5 million. While the

actual surplus as of June 30, 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 2019 and 60.9% of actual revenues collected during the first nine months of the current fiscal year.

As of June 30, 2019, total revenues collected were approximately 85.3% of the current FY 2019 amended budget, or $300.8 million. Conversely, expenditures were approximately 67.5% of the current FY 2019 amended budget, or $238.2 million. It is important to note that there are often delays in expenditures until the close-out of the fiscal year.

FY 2019 Budget					
General Fund	Adopted Budget	Amended Budget	3/4 of Amended Budget	Actuals as of 06/30/19	Variance from 3/4 Amended Budget Over / (Under)
Revenues	$ 345,645,000	$ 352,757,000	$ 264,567,750	$ 300,779,899	$ 36,212,149
Expenditures	$ 345,645,000	$ 352,757,000	$ 264,567,750	$ 238,234,228	$ (26,333,522)
Excess of Revenues Over/(Under) Expenditures				**$ 62,545,671**	

General Fund Year-End Projections

A summary of the preliminary General Fund revenues and expenditures as of June 30, 2019 with projections through September 30, 2019 reflects a year-end surplus of $7.9 million, or 2.2%, which is an increase over the $3.3 million surplus projected as of the second quarter of the fiscal year. This is a preliminary projection based on experience over the course of the first nine months of the current fiscal year; therefore, certain assumptions for both revenues and expenditures have been made, which will be adjusted for when year-end numbers are available in November.

Based on the preliminary General Fund revenues and expenditures as of June 30, 2019 with projections through September 30, 2019, the Administration recommends that the projected year-end surplus be utilized as follows:

(1) $2.7 million to fund "one-time" expenditure enhancements recommended for funding as part of the proposed FY 2020 General Fund budget in accordance with Resolution 2006-26341;
(2) Fund encumbered and unencumbered carryforward requests from FY 2019 to FY 2020 due to timing for goods/services that have either not been procured at year-end or projects that have not been expended; and
(3) Any excess set aside to achieve the City's additional reserve targets in the General Fund.

FY 2018/19 Budget					
General Fund	Adopted Budget	Amended Budget	Projected	Difference	% Over / (Under)
Revenues	$ 345,645,000	$ 352,757,000	$ 353,878,000	$ 1,121,000	0.3%
Expenditures	$ 345,645,000	$ 352,757,000	$ 345,985,000	$ (6,772,000)	-1.9%
Excess of Revenues Over/(Under) Expenditures			**$ 7,893,000**		2.2%

General Fund Operating Revenues

Property tax collections for FY 2019 are being projected at approximately 95.5% of total property taxes assessed, which is slightly higher than the original adopted budget that allowed

for discounts and a level of adjustment for appeals consistent with historical levels. The realized impact of these appeals and adjustments for the FY 2019 budget were provided by the Miami-Dade County Property Appraiser in July 2019 when the City's certified property values were received.

As of June 30, 2019, actual revenues collected were approximately 85.3% of the current FY 2019 amended budget, or $300.8 million. As of June 30, 2019, revenues through fiscal year-end September 30, 2019 are projected to be approximately $353.9 million, which is 0.3%, or $1.1 million, above the current FY 2019 amended budget.

As in prior years, significant variances to budget in excess of 10.0%, or $300,000, by revenue category are explained below:

Ad Valorem Taxes – Collections are projected at 0.5%, or $862,000, above the current amended budget, which was originally budgeted at 95.0% of total property taxes assessed, based on current revenues trending higher than budget. It is important to note that in the last three fiscal years, ad valorem property tax collections have trended slightly below the 95.0% level of total assessed property taxes budgeted due to the levels of appeals and adjustments.

Other Taxes – This category includes franchise and utility taxes on electricity, gas, fuel, cable-television and telephones. Collections are projected to be 5.3%, or $1.3 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 above the current amended budget by 4.1%, or $1.3 million, primarily due to revenues collected from business tax receipts, right-of way permits, and fire inspections, as well as planning and fire plans review activities trending higher than budget. These revenues are, however, projected to be partially offset by a decrease in building permit revenues due to a reduction in the number of building permits issued, the recently implemented private provider discounts, and diminishing job size valuations that directly impact permit revenues.

Rents and Leases – This category includes revenues from various rentals and leases realized from City owned properties. Projected FY 2019 collections are 6.3%, or $370,000, above the current amended budget primarily due to revenues from several of the City's current leases trending higher than budget that 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 2019 collections are 3.2%, or $460,000, 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).

For a detail of General Fund revenues by category, refer to the attached Schedule A.

General Fund Operating Expenditures

As of June 30, 2019, actual General Fund expenses were approximately 67.5%, or $238.2 million, of the current FY 2019 amended budget. As of June 30, 2019, expenditures through fiscal year-end September 30, 2019 are projected to be $346.0 million, which is approximately $6.8 million, or 1.9%, below the current FY 2019 amended budget. These projections are based on an analysis of the first nine months of the fiscal year and also incorporate any additional information available. As previously mentioned, these projections do not include the projected FY 2019 impacts of the collective bargaining agreements yet to be ratified by the City Commission. These projections do, however, incorporate anticipated savings resulting from the hiring and travel freeze that was declared by the Administration effective June 6, 2019 in an effort to identify year-end savings to achieve a balanced budget in the upcoming fiscal year due to diminishing increases in property values.

A comparison of actual expenses and projected expenditures to budget, by General Fund department as of June 30, 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 10.0%, or $300,000, are explained below:

Building – The department is projected to be 10.9%, or $1.7 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 $711,000 are projected in operating expenditures driven primarily by a decline in the need for outside inspection and engineering services of $680,000. The department is also projected to have savings of $951,000 in personnel services costs due to numerous vacancies, as well as a previous reorganization of positions to better align the current staffing needs of the department with current operational needs.

Building				
	FY 2019 Amended Budget	FY 2019 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	$ 15,250,000	$ 13,588,000	$ (1,662,000)	-10.9%

Capital Improvement Projects (CIP) – The department is projected to be 6.9%, or $360,000, below the current amended budget primarily due to savings of $331,000 in personnel services expenditures resulting from several vacancies in budgeted positions realized throughout the year.

Capital Improvement Projects (CIP)				
	FY 2019 Amended Budget	FY 2019 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	$ 5,227,000	$ 4,867,000	$ (360,000)	-6.9%

Code Compliance – The department is projected to be 6.6%, or $418,000, below the current amended budget primarily due to savings of $503,000 in personnel services expenditures resulting from several vacancies in budgeted positions realized throughout the year, which are projected to be partially offset by an increase in operating expenditures of $85,000 due to the mid-year relocation of the Code Compliance Department in FY 2019.

Code Compliance				
	FY 2019 Amended Budget	FY 2019 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	$ 6,353,000	$ 5,935,000	$ (418,000)	-6.6%

Parks and Recreation – The department is projected to be 1.1%, or $447,000, below the current amended budget due to savings in personnel services expenditures resulting from vacancies of full-time and part-time budgeted positions realized throughout the fiscal year as well as additional savings from receipt of a Children's Trust grant for after-school and summer camp programming.

Parks and Recreation				
	FY 2019 Amended Budget	FY 2019 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	$ 39,076,000	$ 38,629,000	$ (447,000)	-1.1%

Police – The department is projected to be 0.5%, or $546,000, above the current amended budget due to increased usage of sworn Police overtime 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 resulted in the department incurring additional unbudgeted overtime costs. This projected overage in overtime is anticipated to be partially offset by projected savings in other budgeted personnel service and operating expenditures. We will continue to monitor the department's expenditures over the remainder of the fiscal year and amend the department's budget at year-end, if necessary, through the realignment of savings realized in other existing funds.

Police				
	FY 2019 Amended Budget	FY 2019 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	$ 112,708,000	$ 113,254,000	$ 546,000	0.5%

Public Works – The department is projected to be below the current amended budget by 3.3%, or $511,000, resulting from savings in personnel services expenditures due to numerous budgeted full-time vacancies within the department, which includes Engineering, Streets and Street Lighting, and Greenspace Management.

Public Works				
	FY 2019 Amended Budget	FY 2019 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	$ 15,349,000	$ 14,838,000	$ (511,000)	-3.3%

Citywide Accounts (Net of Transfers) – The Citywide Accounts, net of transfers, are projected to be below the current amended budget by 9.2%, or $1.7 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, year-end savings of $507,000 are projected for accumulated leave settlements and other miscellaneous expenditures based on current year trends. If realized at year-end, the savings can be realigned within the General Fund to address any department overages that may be realized at year-end.

Citywide Accounts				
	FY 2019 Amended Budget	FY 2019 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	$ 18,589,000	$ 16,885,000	$ (1,704,000)	-9.2%

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 actual nine-month operating expenses for the period October 1, 2018 through June 30, 2019, reveals that all Enterprise Funds have expenses less than three quarters of their current FY 2019 amended budgets, which is, however, 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 to the City.

ENTERPRISE FUNDS	Sanitation	Sewer	Storm Water	Water	Parking	Convention Center
FY 2019 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 2019 Amended Budget	22,547,000	52,322,000	29,774,000	36,190,000	54,065,000	19,695,000
3/4 Adopted Budget	16,794,000	38,009,250	22,042,500	25,916,250	40,206,750	14,530,500
3/4 Amended Budget	16,910,250	39,241,500	22,330,500	27,142,500	40,548,750	14,771,250
Revenues as of 06/30/19	13,610,190	38,488,663	22,547,910	26,347,931	37,700,111	6,487,939
Expenditures as of 06/30/19	14,812,241	31,456,863	15,892,187	20,731,408	32,249,318	4,043,667
Expenditures Above/(Below) 3/4 Amended Budget	(2,098,009)	(7,784,637)	(6,438,313)	(6,411,092)	(8,299,432)	(10,727,583)
% Variance	-9.3%	-14.9%	-21.6%	-17.7%	-15.4%	-54.5%

Year-end operating revenue and expenditure projections through September 30, 2019 provide a more realistic indication of any anticipated year-end surpluses or gaps as of this point in time. In addition, while the actual revenues and expenses presented above are as of June 30, 2019, the year-end projections incorporate more recent information available. The following projections do not include the projected FY 2019 impacts of the pending collective bargaining agreements yet to be ratified by the City Commission which 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 2019 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 2019. 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 2019. As part of the proposed FY 2020 budget, the Administration has recommended a combination of expenditure reductions/efficiencies and revenue enhancements to address the Sanitation Fund's operating gap.

ENTERPRISE FUNDS	Sanitation	Sewer	Storm Water	Water	Parking	Convention Center
FY 2019 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 2019 Amended Budget	22,547,000	52,322,000	29,774,000	36,190,000	54,065,000	19,695,000
FY 2019 Projections						
Charges for Services	19,938,000	47,613,000	30,650,000	35,269,000	48,539,000	6,921,000
Other	1,861,000	4,709,000	3,000	1,242,000	3,965,000	11,694,000
FY 2019 Revenue Projections	21,799,000	52,322,000	30,653,000	36,511,000	52,504,000	18,615,000
$ Over/(Under) Amended Budget	**(748,000)**	**0**	**879,000**	**321,000**	**(1,561,000)**	**(1,080,000)**
% Over/(Under) Amended Budget	-3.3%	0.0%	3.0%	0.9%	-2.9%	-5.5%
FY 2019 Expenditure Projections	21,799,000	52,322,000	29,774,000	36,190,000	52,504,000	18,615,000
$ Over/(Under) Amended Budget	**(748,000)**	**0**	**0**	**0**	**(1,561,000)**	**(1,080,000)**
% Over/(Under) Amended Budget	-3.3%	0.0%	0.0%	0.0%	-2.9%	-5.5%
Excess of Revenues Over/(Under) Expenditures	**0**	**0**	**879,000**	**321,000**	**0**	**0**

Departments projected to exceed budget, or with significant variances to budget in excess of 10.0%, or $300,000, are explained below:

Sanitation – Expenditures in this fund are projected to be 3.3%, or $748,000, below the current FY 2019 amended budget, primarily due to projected savings in personnel costs of $1.1 million resulting from numerous full-time vacancies budgeted. These projected personnel cost savings are, however, being partially offset by the need for additional temporary staffing of $389,000 that the department anticipates will be necessary to supplement staffing shortages resulting from the full-time vacancies currently within the department.

Parking – Expenditures in this fund are projected to be 2.9%, or $1.6 million, below the current FY 2019 amended budget, primarily due to projected savings in personnel costs of $756,000 resulting from current position vacancies within the department and $386,000 in projected savings from operating expenditures. Additional savings are also projected 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 $419,000. 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.

Convention Center – Expenditures in this fund are projected to be 5.5%, or $1.1 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 2019 revenues resulting from the loss of these shows is being offset by the projected $5.1 million Convention Development Tax (CDT) bonus to be received from Miami-Dade County for FY 2019 resulting in additional funding anticipated to be set-aside for future renewal and replacement of existing capital assets for the newly renovated 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 actual nine-month operating revenues and expenses for the period October 1, 2018 through June 30, 2019, reveals that all Internal Service Funds, with the exception of Fleet Management, have expenses less than three quarters of their current FY 2019 amended budgets primarily due to expenditures that are typically incurred later in the fiscal year. The Fleet Management Fund, however, has expenses that are more than three quarters of its current FY 2019 amended budget due to fuel, repairs, and maintenance costs incurred during the first nine months of the fiscal year for the City's current fleet of vehicles, machinery, and equipment.

INTERNAL SERVICE FUNDS	Central Services	Fleet Management	Information Technology	Property Management	Risk Management	Medical & Dental Insurance
FY 2019 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 2019 Amended Budget	1,113,000	11,532,000	16,724,000	10,049,000	20,626,000	37,938,000
3/4 Adopted Budget	825,750	8,619,000	12,460,500	7,299,750	14,595,000	28,453,500
3/4 Amended Budget	834,750	8,649,000	12,543,000	7,536,750	15,469,500	28,453,500
Revenues as of 06/30/19	814,798	8,301,714	12,078,800	7,288,245	14,970,036	26,526,274
Expenditures as of 06/30/19	794,833	9,709,221	11,260,201	5,587,632	8,248,574	23,012,840
Expenditures Above/(Below) 3/4 Amended Budget	(39,917)	1,060,221	(1,282,799)	(1,949,118)	(7,220,926)	(5,440,661)
% Variance	-3.6%	9.2%	-7.7%	-19.4%	-35.0%	-14.3%

Year-end operating revenue and expenditure projections through September 30, 2019 provide a more realistic indication of any anticipated year-end surpluses or gaps as of this point in time. Further, while the actual revenues and expenses presented above are as of June 30, 2019, the year-end projections incorporate additional information available. As previously mentioned, the following projections do not include the projected FY 2019 impacts of the pending collective bargaining agreements yet to be ratified by the City Commission which predominately impact Central Services, Fleet Management, and Property Management. Since Internal Service Funds function on a cost reimbursement basis though, should any Internal Service Fund Department exceed its amended budget at year-end, the overage will be charged back to all applicable departments as such.

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 2019 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 2019 Amended Budget	1,113,000	11,532,000	16,724,000	10,049,000	20,626,000	37,938,000
FY 2019 Projections						
Charges for Services	1,059,000	11,120,000	15,862,000	9,657,000	18,430,000	0
Other	52,000	382,000	589,000	113,000	2,196,000	35,398,000
FY 2019 Revenue Projections	1,111,000	11,502,000	16,451,000	9,770,000	20,626,000	35,398,000
$ Over/(Under) Amended Budget	**(2,000)**	**(30,000)**	**(273,000)**	**(279,000)**	**0**	**(2,540,000)**
% Over/(Under) Amended Budget	-0.2%	-0.3%	-1.6%	-2.8%	0.0%	-6.7%
FY 2019 Expenditure Projections	1,111,000	11,502,000	16,451,000	9,770,000	20,626,000	35,398,000
$ Over/(Under) Amended Budget	**(2,000)**	**(30,000)**	**(273,000)**	**(279,000)**	**0**	**(2,540,000)**
% Over/(Under) Amended Budget	-0.2%	-0.3%	-1.6%	-2.8%	0.0%	-6.7%
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 in this fund are projected to be 6.7%, or $2.5 million, below the current FY 2019 amended budget due to medical claims continuing to trend lower than originally budgeted in FY 2019 based on current claims experience and adjusted actuarial forecasts as of the end of the third quarter of FY 2019. It is important to note that despite the better-than-anticipated claims experience realized during the first nine months of the year, claims can fluctuate significantly throughout the year; therefore, trends will continue to be monitored in the coming months and future projections 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 nine-month operating revenues and expenses for the period of October 1, 2018 through June 30, 2019, reveals that all Special Revenue Funds, with the exception of the Police Training and School Resources Fund and the 5th & Alton Garage Fund, have expenses less than three quarters of their current FY 2019 amended budget, mainly due to expenditures that are generally incurred later in the fiscal year. The Police Training and School Resources Fund and the 5th & Alton Garage Fund have expenses that are more than three quarters of their current amended budgets as of June 30, 2019 due to one-time expenses, such as equipment purchases and insurance, which were incurred during the first nine months of the fiscal year. While the actuals incurred for these particular funds through June 30, 2019 are in excess of three quarters of their respective FY 2019 amended budgets, this is not generally representative of the trend for the full fiscal year.

Special Revenue Funds projected to exceed budget, or with significant variances to budget in excess of 10.0%, or $300,000, are explained below:

Red-Light Camera – This fund is projected to be 40.3%, or $531,000, 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.

Red Light Camera				
	FY 2019 Amended Budget	FY 2019 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	$ 1,316,000	$ 785,000	$ (531,000)	-40.3%

Commemorative Tree Trust Fund – This fund is projected to be 70.0%, or $7,000, 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 2019 Amended Budget	FY 2019 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	$ 10,000	$ 3,000	$ (7,000)	-70.0%

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 2019 Amended Budget	FY 2019 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	$ 60,000	$ 0	$ (60,000)	-100.0%

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 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.

Total two percent Resort Tax revenues as of June 30, 2019 with projections through September 30, 2019 are projected to be 2.1%, or $1.3 million, above the current FY 2019 amended budget. This is primarily attributed to two percent collections trending higher than budget, which was originally adopted assuming a conservative 1.0% increase over projected FY 2018 collections. In addition, miscellaneous revenues which are comprised of interest income, registration fees, and other miscellaneous revenues, are also trending higher than budget.

Total two percent Resort Tax expenditures as of year-end are projected to be 0.2%, or $110,000, above the current FY 2019 amended budget resulting primarily 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 per the legislated formula, as well as the projected increase in the base fee contribution to the Greater Miami Beach Visitors and Convention Bureau (GMCVB), which is required to be adjusted "following the conclusion of the first contract year and each contract year thereafter, up or down, based on the overall percentage increase or reduction of the prior year collections" as per Section 4.01(c) of the current agreement. In addition, projected year-end Resort Tax expenditures include the maximum allowable annual incentive fee of up to $1.95 million that may be paid to the GMCVB in accordance with its ability to achieve the agreed upon performance objectives as set forth in the agreement.

The proceeds of the one percent bed tax commencing FY 2019, 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 $8,000, below the current FY 2019 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 $8,000, below the current FY 2019 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 $8,000, below the current FY 2019 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 $8,000, below the current FY 2019 amended budget.

Overall, combined Resort Tax revenues as of year-end are projected to be 1.4%, or $1.3 million, above the current FY 2019 amended budget, while expenditures are projected to be 0.1%, or $94,000, above the current FY 2019 amended budget as of year-end resulting in a projected year-end surplus of $1.2 million. This is a preliminary projection based on experience over the course of the first nine months of the current fiscal year; therefore, certain assumptions for both revenues and expenditures have been made, which will be adjusted for when year-end numbers are available in November.

Based on the year-end Resort Tax surplus projected as of September 30, 2019, the Administration recommends that the year-end surplus be utilized as follows up to the amount projected to be available when the year-end numbers are finalized in November:

(1) $1.9 million to fund "one-time" expenditure enhancements recommended for funding as part of the proposed FY 2020 Resort Tax budget in accordance with Resolution 2006-26341;
(2) Fund encumbered and unencumbered carryforward requests from FY 2019 to FY 2020 due to timing for goods/services that have either not been procured at year-end or projects that have not been expended; and
(3) Any excess set aside to achieve the City's additional reserve targets as amended by the City Commission through Resolution 2019-30664 on January 16, 2019.

RESORT TAX FUND	FY 2019 Adopted Budget	FY 2019 Amended Budget	Actuals as of 06/30/2019	% Actual of Amended Budget	FY 2019 Year End Projections	Over/(Under) Amended Budget	% Over/(Under) Amended Budget
Revenues							
2% Resort Tax	59,628,000	59,628,000	44,285,669	74.3%	60,096,000	468,000	0.8%
Miscellaneous Revenues	343,000	343,000	934,156	272.3%	1,188,000	845,000	246.4%
Transfer In from Fund Balance	651,000	1,101,000	0	0.0%	1,101,000	0	0.0%
1% Resort Tax (QOL)	14,421,000	14,421,000	10,867,923	75.4%	14,413,000	(8,000)	-0.1%
Additional 1% for Convention Center	14,421,000	14,421,000	10,867,923	75.4%	14,413,000	(8,000)	-0.1%
Total Revenues	**89,464,000**	**89,914,000**	**66,955,672**	**74.5%**	**91,211,000**	**1,297,000**	**1.4%**
Expenditures							
General Fund Contribution	35,836,000	35,836,000	26,877,000	75.0%	35,836,000	0	0.0%
Sanitation Fund Contribution	1,812,000	1,812,000	1,359,000	75.0%	1,812,000	0	0.0%
Contribution to GMCVB	6,651,000	6,651,000	5,033,941	75.7%	6,984,000	333,000	5.0%
Contribution to VCA	2,862,000	2,862,000	1,890,161	66.0%	2,882,000	20,000	0.7%
Contribution to Mt. Sinai	1,000,000	1,000,000	0	0.0%	1,000,000	0	0.0%
Other Operating/Other Uses	12,261,000	12,711,000	8,428,813	66.3%	12,468,000	(243,000)	-1.9%
Marketing	200,000	200,000	48,831	24.4%	200,000	0	0.0%
Transfer to NB, MB, SB Capital, Transp, and Arts (QOL)	14,421,000	14,421,000	10,867,923	75.4%	14,413,000	(8,000)	-0.1%
Addt'l 1% Conv. Center Debt Service & Cap. Ren & Repl.	14,421,000	14,421,000	4,495,127	31.2%	14,413,000	(8,000)	-0.1%
Total Expenditures	**89,464,000**	**89,914,000**	**59,000,798**	**65.6%**	**90,008,000**	**94,000**	**0.1%**
Excess of Revenues Over/(Under) Expenditures	**0**	**0**	**7,954,873**		**1,203,000**		

CONCLUSION

This analysis of budget to actual operating revenues and expenses as of June 30, 2019, with projections through September 30, 2019, provides the status of the current FY 2019 amended budget for the first nine months of the fiscal year. While the first nine 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.

A summary of the preliminary General Fund revenues and expenditures as of June 30, 2019 with projections through September 30, 2019 reflects a year-end surplus of $7.9 million, or 2.2%, which is an increase over the $3.3 million surplus projected as of the second quarter of the fiscal year.

Based on the preliminary General Fund revenues and expenditures as of June 30, 2019 with projections through September 30, 2019, the Administration recommends that the projected

General Fund year-end surplus be utilized as follows:

(1) $2.7 million to fund "one-time" expenditure enhancements recommended for funding as part of the proposed FY 2020 General Fund budget in accordance with Resolution 2006-26341;
(2) Fund encumbered and unencumbered carryforward requests from FY 2019 to FY 2020 due to timing for goods/services that have either not been procured at year-end or projects that have not been expended; and
(3) Any excess set aside to achieve the City's additional reserve targets in the General Fund.

It is important to note that this is a preliminary projection based on experience over the course of the first nine months of the current fiscal year; therefore, certain assumptions for both revenues and expenditures have been made that will be adjusted when year-end numbers are available in November.

The General Fund, as well as all Enterprise Funds, Internal Service Funds, and Special Revenue Funds, with the exception of the Resort Tax Fund previously detailed, are projected to be at or below their current FY 2019 amended budgets as of year-end with revenues projected to be equivalent to or in excess of expenditures.

JLM/JW/TOS

SCHEDULE A

CITY OF MIAMI BEACH
FY 2019 GENERAL FUND
3RD QUARTER

	FY 2019 Adopted Budget	FY 2019 Amended Budget	Actuals as of 06/30/2019	% Actual of Amended Budget	FY 2019 Year End Projections	Over/(Under) Amended Budget	% Over/(Under) Amended Budget
REVENUES							
Ad Valorem Taxes	179,020,000	179,020,000	179,730,856	100.4%	179,882,000	862,000	0.5%
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	14,923,877	59.1%	23,921,000	(1,341,000)	-5.3%
Licenses and Permits	31,394,000	31,769,000	26,409,522	83.1%	33,073,000	1,304,000	4.1%
Intergovernmental	12,115,000	12,115,000	8,180,255	67.5%	11,834,000	(281,000)	-2.3%
Charges for Services	12,503,000	12,503,000	10,122,491	81.0%	12,633,000	130,000	1.0%
Fines and Forfeitures	1,860,000	1,860,000	1,199,706	64.5%	1,639,000	(221,000)	-11.9%
Interest	3,617,000	3,617,000	3,389,406	93.7%	3,726,000	109,000	3.0%
Rents and Leases	5,899,000	5,899,000	5,063,001	1.0%	6,269,000	370,000	6.3%
Miscellaneous	14,176,000	14,351,000	6,875,688	47.9%	14,811,000	460,000	3.2%
Other-Resort Tax Contribution	35,836,000	35,836,000	26,877,000	75.0%	35,836,000	0	0.0%
Other-Non-Operating Revenues	19,577,000	19,577,000	14,695,097	75.1%	19,589,000	12,000	0.1%
Fund Balance/Retained Earnings	1,073,000	1,073,000	0	0.0%	790,000	(283,000)	-26.4%
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**	**300,779,899**	**85.3%**	**353,878,000**	**1,121,000**	**0.3%**
EXPENDITURES							
Building	15,243,000	15,250,000	9,617,955	63.1%	13,588,000	(1,662,000)	-10.9%
Capital Improvement Projects	5,227,000	5,227,000	3,390,449	64.9%	4,867,000	(360,000)	-6.9%
City Attorney	5,818,000	6,124,000	4,090,245	66.8%	5,845,000	(279,000)	-4.6%
City Clerk	1,755,000	1,765,000	1,200,560	68.0%	1,741,000	(24,000)	-1.4%
City Manager	4,129,000	4,304,000	3,142,687	73.0%	4,178,000	(126,000)	-2.9%
Code Compliance	6,215,000	6,353,000	4,099,159	64.5%	5,935,000	(418,000)	-6.6%
Communications	2,339,000	2,589,000	1,689,040	65.2%	2,544,000	(45,000)	-1.7%
Emergency Management	1,513,000	0	0	-	0	0	-
Environment & Sustainability	1,462,000	1,492,000	846,952	56.8%	1,455,000	(37,000)	-2.5%
Finance	6,714,000	6,933,000	4,595,729	66.3%	6,788,000	(145,000)	-2.1%
Fire	87,551,000	89,625,000	65,357,300	72.9%	89,462,000	(163,000)	-0.2%
Housing & Comm Services	3,624,000	3,700,000	2,116,672	57.2%	3,518,000	(182,000)	-4.9%
Human Resources/Labor Relations	3,003,000	3,105,000	1,987,164	64.0%	2,959,000	(146,000)	-4.7%
Mayor and Commission	2,416,000	2,416,000	1,641,548	67.9%	2,298,000	(118,000)	-4.9%
Internal Audit	832,000	1,100,000	425,281	38.7%	1,036,000	(64,000)	-5.8%
Office of Budget & Performance Improv	1,875,000	1,880,000	1,319,469	70.2%	1,836,000	(44,000)	-2.3%
Office of Inspector General	484,000	484,000	0	0.0%	201,000	(283,000)	-58.5%
Org Development & Perf Initiatives	893,000	1,059,000	542,876	51.3%	983,000	(76,000)	-7.2%
Parks and Recreation	38,680,000	39,076,000	26,070,029	66.7%	38,629,000	(447,000)	-1.1%
Planning	4,686,000	5,513,000	3,463,259	62.8%	5,492,000	(21,000)	-0.4%
Police	112,094,000	112,708,000	82,224,912	73.0%	113,254,000	546,000	0.5%
Procurement	2,550,000	2,743,000	1,783,170	65.0%	2,558,000	(185,000)	-6.7%
Public Works	15,176,000	15,349,000	9,462,906	61.7%	14,838,000	(511,000)	-3.3%
Tourism, Culture, & Economic Development	5,373,000	5,373,000	3,198,216	59.5%	5,095,000	(278,000)	-5.2%
Citywide Accounts & Operating Contingency	12,292,000	14,159,000	5,968,649	42.2%	12,455,000	(1,704,000)	-12.0%
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**	**238,234,228**	**67.5%**	**345,985,000**	**(6,772,000)**	**-1.9%**
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES	**0**	**0**	**62,545,671**		**7,893,000**		