

RESOLUTION NO. 2019-30954

A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ACCEPTING THE RECOMMENDATION OF THE FINANCE AND CITYWIDE PROJECTS COMMITTEE AT ITS JULY 26, 2019 MEETING, AND AMENDING AND RESTATING RESOLUTION NO. 2006-26341, WHICH ADOPTED THE CITY OF MIAMI BEACH FINANCIAL POLICIES RELATING TO STABILIZATION FUNDS; FUND BALANCE; CONTINGENCY PLANNING AND CASH RESERVES; USE OF NON-RECURRING REVENUES; CAPITAL ASSET ACQUISITION, MAINTENANCE, REPLACEMENT AND RETIREMENT; AND GUIDING THE DESIGN OF PROGRAM AND SERVICES, TO INCORPORATE REVISIONS TO THE STABILIZATION FUNDS AND FUND BALANCE/CONTINGENCY PLANNING AND CASH RESERVES POLICY (GENERAL FUND RESERVE POLICY), AS SET FORTH IN THE ATTACHED EXHIBIT A, WHICH SHALL REPLACE AND SUPERSEDE THE GENERAL FUND RESERVE POLICY SET FORTH IN RESOLUTION NO. 2006-26341, AND WHICH IS CONSISTENT WITH THE RECOMMENDATION OF THE CITY'S BUDGET ADVISORY COMMITTEE.

WHEREAS, on September 21, 2006, the City Commission adopted Resolution No. 2006-26341, which formalized the City's financial policies relating to Stabilization Funds; Fund Balance; Contingency Planning and Cash Reserves; Use of Non-Recurring Revenues; Capital Asset Acquisition, Maintenance, Replacement and Retirement; and Guiding the Design of Programs; and

WHEREAS, on January 16, 2019, the City Commission adopted Resolution No. 2019-30664, which revised the City's Resort Tax Reserve Policy to address the concerns of the Mayor's Blue-Ribbon Emergency Response and Budget Advisory Committees; and

WHEREAS, at the May 21, 2019 Commission Budget Workshop, the Administration recommended a revision of the City's General Fund Reserve Policy to help maintain or improve the City's credit rating and financial position; and

WHEREAS, at the July 26, 2019 Finance and Citywide Projects Committee meeting, the Committee recommended a revision of the City's General Fund Reserve Policy to help maintain or improve the City's credit rating and financial position; and

WHEREAS, the Government Finance Officers Association (GFOA) recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the General Fund for Generally Accepted Accounting Principles (GAAP) and budgetary purposes; and

WHEREAS, the GFOA recommends that the adequacy of unrestricted fund balance in the General Fund should take into account each government's own unique circumstances; for example, governments that may be vulnerable to natural disasters, more dependent on a volatile revenue source, or potentially subject to cuts in state aid and/or federal grants, may need to maintain a higher level in the unrestricted fund balance; and

WHEREAS, the GFOA recommends, at a minimum, that general purpose governments, regardless of size, maintain an unrestricted budgetary fund balance in their general fund of no less than 2 months of the general fund budget; and

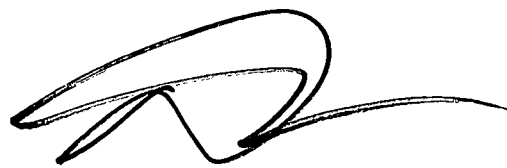
WHEREAS, the City of Miami Beach's current reserve policy is consistent with the GFOA's minimum General Fund reserve recommendation, and the City's current reserve policy establishes an 11% reserve of the General Fund Operating Budget for emergencies and a goal to maintain a General Fund Reserve for Contingencies equal to 6% of the General Fund Operating Budget, for a combined total of 17%, which represents 2 months of the General Fund Operating Budget expenditures; and

WHEREAS, in light of the City's vulnerability to storm events and dependence on volatile Resort Tax revenues, the objective of the proposed changes to the General Fund Reserve Policy is to increase the required reserve for emergencies from 11% to 17%; increase the goal for reserve for contingencies from 6% to 8%; and effectively increase the total reserve target from 17% to 25%, or from 2 months to 3 months of the City's General Fund Operating Budget; and


NOW, THEREFORE, BE IT DULY RESOLVED BY THE MAYOR AND THE CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, the Mayor and City Commission hereby accept the recommendation of the Finance and Citywide Projects Committee at its July 26, 2019 meeting, and amending and restating Resolution No. 2006-26341, which adopted the City of Miami Beach Financial policies relating to Stabilization Funds; Fund Balance; Contingency Planning and Cash Reserves; Use of Non-Recurring Revenues; Capital Asset Acquisition, Maintenance, Replacement and Retirement; and Guiding the Design of Programs, to incorporate revisions to the Stabilization Funds and Fund Balance/Contingency Planning and Cash Reserves Policy (General Fund Reserve Policy), as set forth in the attached Exhibit A, which shall replace and supersede the General Fund Reserve Policy set forth in Resolution No. 2006-26341, and which is consistent with the recommendation of the City's Budget Advisory Committee.

PASSED and ADOPTED, this 11th day of September, 2019.

ATTEST:

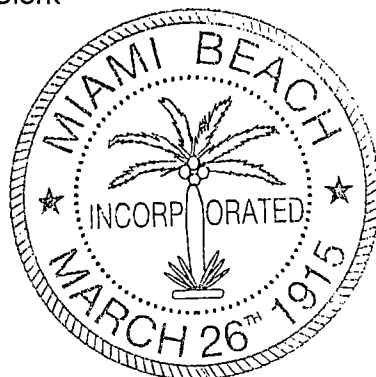


Dan Gelber, Mayor

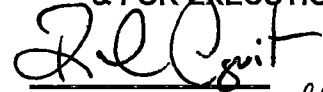


9/18/19

Rafael E. Granado, City Clerk



**APPROVED AS TO
FORM & LANGUAGE
& FOR EXECUTION**

 8/29/19

City Attorney Date

EXHIBIT A

CITY OF MIAMI BEACH FINANCIAL POLICIES RELATING TO STABILIZATION FUNDS; FUND BALANCE; CONTINGENCY PLANNING AND CASH RESERVES; USE OF NON-RECURRING REVENUES; CAPITAL ASSET ACQUISITION, MAINTENANCE, REPLACEMENT AND RETIREMENT; AND GUIDING THE DESIGN OF PROGRAMS AND SERVICES

Stabilization Funds & Fund Balance/Contingency Planning and Cash Reserves

1. The City of Miami Beach shall maintain the Emergency Reserve at seventeen ~~eleven~~ percent (~~44~~ 17%) of the General Fund Operating Budget of the ensuing year (~~44~~ 17% Emergency Reserve) for use as defined in resolution 98- 22661.
2. The City of Miami Beach shall have a goal to also maintain a General Fund Reserve for Contingencies equal to at least ~~six~~ eight (~~6-8%~~) of the General Fund Operating Budget that, in combination with the ~~44~~ 17% Emergency Reserve, represents ~~two-three~~ (~~2-3~~) months of the General Fund Operating Budget expenditures.
3. Said reserve shall be increased or decreased annually but shall be maintained at a minimum of ~~six~~ eight percent (~~6%~~ 8%) of the then existing General Fund Operating Budget.
4. Once the General Fund Reserve for Contingencies goal of eight percent (8%) is initially achieved, if the amount falls below the ~~six~~ eight percent (~~6~~ 8%) level, a plan of action will be required to increase the reserves over three (3) to seven (7) years to at least ~~six~~ eight percent (~~6~~ 8%) and a percentage of any additional undesignated fund balance shall be earmarked toward attainment of the ~~six~~ eight percent (~~6~~ 8%) level.
5. The City of Miami Beach shall have a goal to develop and maintain appropriate levels of reserves in the Enterprise Funds as in the General Fund.
6. The City of Miami Beach shall have a goal of maintaining a reserve of one hundred percent (100%) of pending claims in the Risk Management Fund and shall strive to fund two-thirds (2/3) of the estimated value of insurance claims incurred but not reported.

Use of Non-Recurring Revenues

The City of Miami Beach will use one-time, non-recurring revenue for capital expenditures or one time expenditures and not to subsidize recurring personnel, operations and maintenance cost.

Capital Asset Acquisition, Maintenance, Replacement and Retirement

1. The City shall maintain a dedicated portion of operating millage for General Fund Capital Renewal and Replacement as defined in Resolution 2005-25832.

2. The City shall have a goal to fund for the following capital needs as a permanent part of the budget in an amount not less than five percent (5%) of the annual fiscal operating budget of the General Fund of the City:
 - **Capital Renewal and Replacement** – to ensure adequate funding for the renewal and replacement of the City's General Fund facilities to extend the useful life or replace equipment whose useful life has expired.
 - **Capital Reserve Fund** – to help ensure adequate funding related to previously approved capital projects for expenditures due to bids that are over-budget, change orders, or other unforeseen items for General Fund projects.
 - **Pay-As-You-Go Capital Fund** – to ensure adequate on-going reinvestment in capital plant and equipment and avoid deferring capital needs until there is a major bond issue. The City of Miami Beach Resolution 2018-30429, dated July 25, 2018, established a dedicated millage commencing in FY 2019 to continue funding General Fund capital projects while simultaneously allowing for growth over time with property values.
 - **Capital Investment Upkeep Fund** – to help ensure adequate funding for General Fund non-facility related upkeep.
 - **Information and Communications Technology Fund** – to help ensure adequate funding for the procurement of new or enhanced information and technology needs of the City.
3. The City shall strive to achieve as a goal that annual General Fund revenues in excess of expenditures shall be transferred to the Capital Reserve Fund.
4. The City shall have a goal to develop and maintain appropriate levels of capital reserves in the Enterprise Funds as in the General Fund.

Guiding the Design of Programs and Services

1. The City of Miami Beach shall create a strategic plan that identifies multi-year strategic priorities (~~Key Intended Outcomes~~) with corresponding result measures for each priority.
2. Annually, the City of Miami Beach shall use a strategic planning process to develop initiatives that support the strategic plan priorities.
3. The budget process and format shall be performance-based and focused on Key Intended Outcomes and performance measures.
4. Any new initiatives not core to the City's core mission or Key Intended Outcomes identified in the strategic plan that is greater than 0.5% of budget for the fund impacted per year, or cumulatively, shall be first considered as part of the City's annual strategic planning process to develop initiatives.

MIAMI BEACH

COMMISSION MEMORANDUM

TO: Honorable Mayor and Members of the City Commission
FROM: Jimmy L. Morales, City Manager
DATE: September 11, 2019

SUBJECT: A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ACCEPTING THE RECOMMENDATION OF THE FINANCE AND CITYWIDE PROJECTS COMMITTEE AT ITS JULY 26, 2019 MEETING, AND AMENDING AND RESTATING RESOLUTION NO. 2006-26341, WHICH ADOPTED THE CITY OF MIAMI BEACH FINANCIAL POLICIES RELATING TO STABILIZATION FUNDS; FUND BALANCE; CONTINGENCY PLANNING AND CASH RESERVES; USE OF NON-RECURRING REVENUES; CAPITAL ASSET ACQUISITION, MAINTENANCE, REPLACEMENT AND RETIREMENT; AND GUIDING THE DESIGN OF PROGRAM AND SERVICES, TO INCORPORATE REVISIONS TO THE STABILIZATION FUNDS AND FUND BALANCE/CONTINGENCY PLANNING AND CASH RESERVES POLICY (GENERAL FUND RESERVE POLICY), AS SET FORTH IN THE ATTACHED EXHIBIT A, WHICH SHALL REPLACE AND SUPERSEDE THE GENERAL FUND RESERVE POLICY SET FORTH IN RESOLUTION NO. 2006-26341, AND WHICH IS CONSISTENT WITH THE RECOMMENDATION OF THE CITY'S BUDGET ADVISORY COMMITTEE.

RECOMMENDATION

See attached Memorandum

Legislative Tracking

Office of Management and Budget

Sponsor

Commissioner Samuelian

ATTACHMENTS:

Description

- Memo-Amend General Fund Reserve Policy
- Resolution

MIAMI BEACH

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

COMMITTEE MEMORANDUM

TO: Members of the Finance & Citywide Projects Committee

FROM: Jimmy L. Morales, City Manager

DATE: September 11, 2019

SUBJECT: **A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ACCEPTING THE RECOMMENDATION OF THE FINANCE AND CITYWIDE PROJECTS COMMITTEE AT ITS JULY 26, 2019 MEETING, AND AMENDING AND RESTATING RESOLUTION 2006-26341 TO INCORPORATE REVISIONS TO THE GENERAL FUND RESERVE POLICY, AS SET FORTH IN THE ATTACHED EXHIBIT A, WHICH SHALL REPLACE AND SUPERSEDE THE GENERAL FUND RESERVE POLICY SET FORTH IN RESOLUTION 2006-26341, AND WHICH IS CONSISTENT WITH THE RECOMMENDATION OF THE CITY'S BUDGET ADVISORY COMMITTEE**

Background

On September 21, 2006, the City Commission adopted the City's financial policies relating to Stabilization Funds; Fund Balance; Contingency Planning and Cash Reserves; Use of Non-Recurring Revenues; Capital Asset Acquisition, Maintenance, Replacement and Retirement; and Guiding the Design of Programs and Services by adopting Resolution 2006-26341.

On January 16, 2019, the City Commission accepted the recommendation of the Finance and Citywide Projects Committee to revise the City's Resort Tax Reserve Policy, which addressed the concerns of the Mayor's Blue-Ribbon Emergency Response and Budget Advisory Committees.

At the May 21, 2019 Commission Budget Workshop, the Administration recommended a revision of the City's General Fund Reserve Policy to help maintain or improve the City's credit rating and financial position.

At the July 26, 2019 Finance and Citywide Projects Committee meeting, the Committee recommended a revision of the City's General Fund Reserve Policy to help maintain or improve the City's credit rating and financial position.

Analysis

The Government Finance Officers Association (GFOA) recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the General Fund for GAAP and budgetary purposes.

The adequacy of unrestricted fund balance in the General Fund should take into account each government's own unique circumstances. For example, governments that may be vulnerable to natural disasters, more dependent on a volatile revenue source, or potentially subject to cuts in state aid and/or federal grants, may need to maintain a higher level in the unrestricted fund

RESTATE AND REVISE RESOLUTION 2006-26341 TO REVISE THE GENERAL FUND RESERVE POLICY

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balance.

The GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their General Fund of no less than 2 months of the General Fund budget.

Miami Beach's current reserve policy is consistent with the GFOA's minimum General Fund reserve recommendation. The City's current reserve policy establishes an 11% reserve of the General Fund Operating Budget for emergencies. In addition, the City has a goal to maintain a General Fund Reserve for Contingencies equal to 6% of the General Fund Operating Budget. In combination, the total of 17% represents 2 months of the General Fund Operating Budget expenditures.

In light of the City's vulnerability to storm events and dependence on volatile Resort Tax revenues, the objective of the proposed changes to the General Fund Reserve Policy is to:

- Increase the required reserve for emergencies from 11% to 17%
- Increase the goal for reserve for contingencies from 6% to 8%
- Increase the total reserve target from 17% to 25% or from 2 months to 3 months of operating revenues.

The current General Fund reserve is estimated to be 20.3% or \$67.1 million. This amount meets the proposed required 17% emergency reserve and 3.2% of the proposed 8% goal for reserve for contingencies.

Budget Advisory Committee Endorsement

On July 17, 2019, the Budget Advisory Committee reviewed the proposed revision to the General Fund Reserve Policy. Although there were not enough members present to form a quorum to approve a motion to recommend this proposed revision, the members in attendance endorsed the proposed change to the City's General Fund Reserve Policy.

General Fund Reserve Policy (Blackline Version)

1. *The City of Miami Beach shall maintain the Emergency Reserve at seventeen ~~eleven~~ percent (~~11~~ 17%) of the General Fund Operating Budget of the ensuing year (~~11~~ 17% Emergency Reserve) for use as defined in resolution 98- 22661.*
2. *The City of Miami Beach shall have a goal to also maintain a General Fund Reserve for Contingencies equal to at least ~~six~~ eight (~~6-8%~~) of the General Fund Operating Budget that, in combination with the ~~11~~ 17% Emergency Reserve, represents ~~two-three~~ (~~2-3~~) months of the General Fund Operating Budget expenditures.*
3. *Said reserve shall be increased or decreased annually but shall be maintained at a minimum of ~~six~~ eight percent (~~6%~~ 8%) of the then existing General Fund Operating Budget.*
4. *Once the General Fund Reserve for Contingencies goal of eight percent (8%) is initially achieved, if the amount falls below the ~~six~~ eight percent (~~6~~ 8%) level, a plan of action will*

RESTATE AND REVISE RESOLUTION 2006-26341 TO REVISE THE GENERAL FUND
RESERVE POLICY

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be required to increase the reserves over three (3) to seven (7) years to at least ~~six~~ eight percent (8%) and a percentage of any additional undesignated fund balance shall be earmarked toward attainment of the ~~six~~ eight percent (8%) level.

5. *The City of Miami Beach shall have a goal to develop and maintain appropriate levels of reserves in the Enterprise Funds as in the General Fund.*
6. *The City of Miami Beach shall have a goal of maintaining a reserve of one hundred percent (100%) of pending claims in the Risk Management Fund, and shall strive to fund two-thirds (2/3) of the estimated value of insurance claims incurred but not reported.*

Conclusion

The revision to the City's reserve policy addresses the City's exposure to weather events and dependence on volatile Resort Tax revenues and will help ensure continuity of operations during emergencies and maintain or improve the City's credit ratings.

The attached resolution amends and restates Resolution 2006-26341 to incorporate revisions to the General Fund Reserve policy and is consistent with the recommendations of the Finance and Citywide Project Committee and the Budget Advisory Committee.

JLM/JW/TOS